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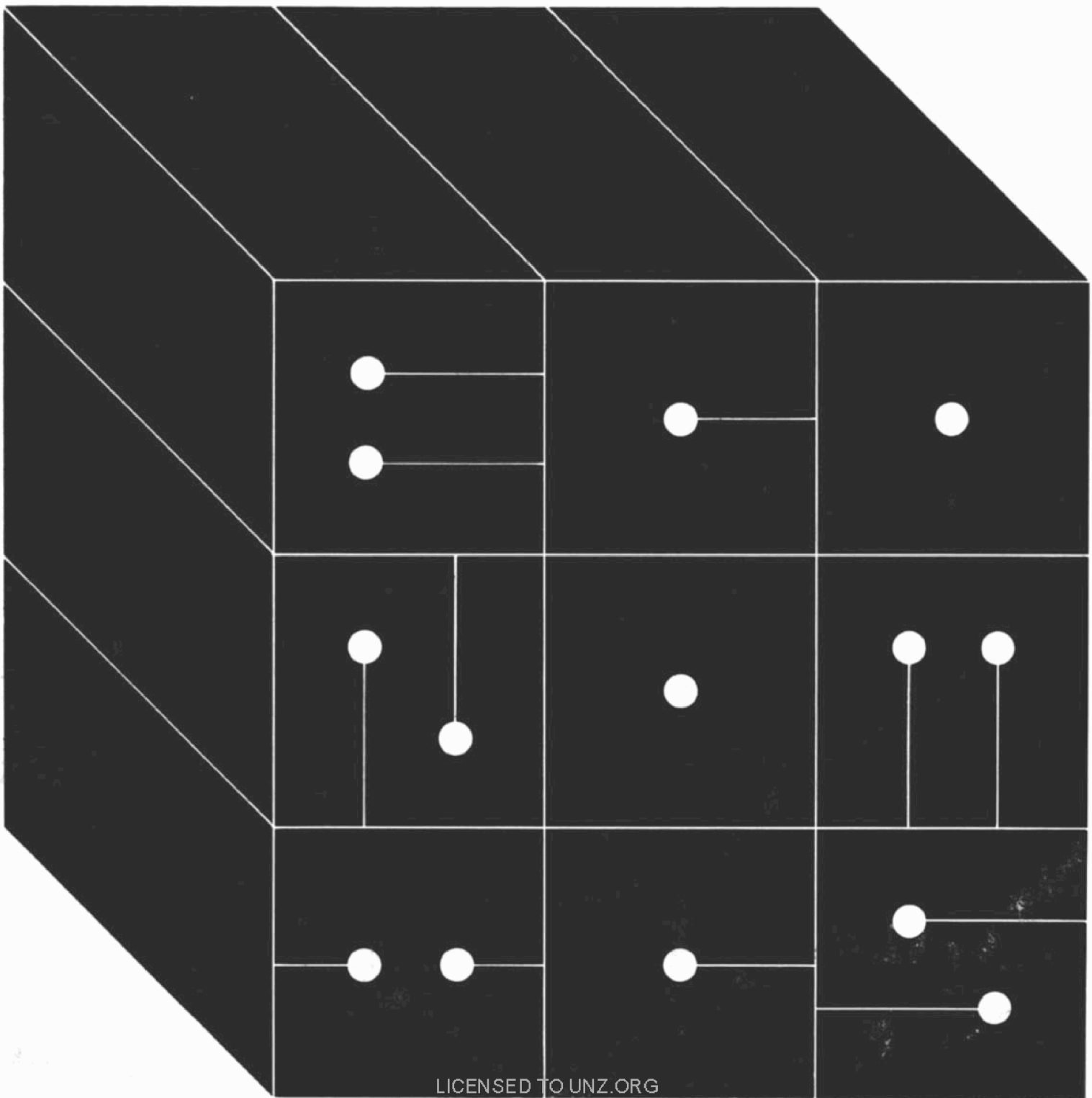
REASON INTERVIEW WITH ECONOMIST MILTON FRIEDMAN

BUREAUCRATIC CONSPIRACY AND THE ENERGY CRISIS

ECONOMISTS AND PUBLIC POLICY BY R.H. COASE



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AN INTERVIEW WITH MILTON FRIEDMAN
A Reason Interview / Joe Cobb, Tibor Machan, Ralph Raico / page 4

ECONOMISTS AND PUBLIC POLICY
By R. H. Coase / page 16

BUREAUCRATIC CONSPIRACY AND THE ENERGY CRISIS
By P. C. Roberts and N. Van Cott / page 26

BOOK REVIEW / Don Erik Franzen
Citadel, Market, and Altar / page 30

TRENDS / Robert Poole, Jr. / page 31

EDITORIAL / Lynn Kinsky / page 34

MONEY / Davis Keeler / page 35

FOREIGN CORRESPONDENT: India / Prakash Aswani
Indian Politics / page 36

VIEWPOINT / Tibor R. Machan
Affirming the Moral Defense of Liberty / page 38

MOVIES / page 39

PUBLISHER'S NOTES / page 40

REASON PROFILE: Edward H. Crane, III
Lynn Kinsky / page 42

RUDEBARBS / page 42

FRONTLINES / Lynn Kinsky / page 43

LETTERS / page 44

CLASSIFIEDS / page 50

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AN INTERVIEW WITH MILTON FRIEDMAN

A REASON INTERVIEW

In February, 1974, Senior Editor Tibor Machan, Joe Cobb, and Ralph Raico visited Professor Milton Friedman at his apartment in Chicago and conducted the interview which appears here, after being prepared for publication by Ms. Marty Zupan.

Dr. Friedman proved to be an extremely interested, willing and intensely involved subject of our interview. Through two and one half hours of uninterrupted exchange, often turning into debate, Dr. Friedman covered issues ranging far over the intellectual continuum. The questions, as readers will detect, were not designed to focus exclusively on his own field. Since his economic theories and contributions in general enjoy coverage in both the scholarly and general media, we attempted to deal with these only as part of a broader exploration of Dr. Friedman's perspective.

For all of us this interview turned out to be a challenging experience. We did not shy away from occasional disputes – Dr. Friedman himself welcomed the controversies that emerged. Undoubtedly some people's questions were left unasked. Nevertheless, the final result is presented to our readers with pleasure.

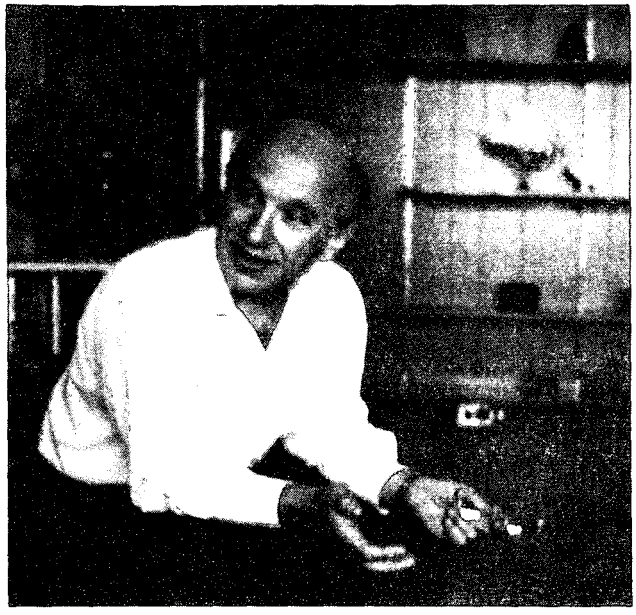
REASON: We'll start out with a ground level theoretical issue: what is your case for the political system that you advocate? Where do you start from, basically?

FRIEDMAN: I start, I guess, from a belief in individual freedom, and that derives fundamentally from a belief in the limitations of our knowledge – from a belief in the idea that nobody can be sure that what he believes is right, is *really* right.

REASON: Could you explain why that is your starting point?

FRIEDMAN: I think that the crucial question that anybody who believes in freedom has to ask himself is whether to let another man be free to sin. If you really know what sin is, if you could be absolutely certain that you had the revealed truth, then you could not let another man sin. You *have* to stop him. Of course people will respond that the only virtue in not sinning is if a man chooses of his own free will to avoid it. That argument has a great deal of appeal, but I don't think it's as persuasive as the argument deriving essentially from ignorance. It seems to me unanswerable that if I'm absolutely certain that another man is about to sin, then I am sinning by not preventing him. Under those circumstances, how can you allow a man the freedom to sin? The only answer I can give is that I cannot be absolutely certain that I know what is sin. When I say, let another man be free to sin, obviously there is appended to that the qualification – provided that in his sinning he is not interfering with the freedom of still other people to do likewise. And that's about where I'd stop on this fundamental philosophical level.

REASON: Well, I will try to pursue this a bit further because, in the context of those who are interested in promoting liberty today, you are in a leadership position, and for that reason a little more scrutiny seems warranted. There is a paradox here at a certain level. You have said that there is at least one thing that you find reasonably certain, that under no circumstances should we interfere with another. But if you admit ignorance in general,



then you must yield whenever someone is more certain of a contrary belief.

FRIEDMAN: Subjective certainty is hardly evidence of truth. What you're really saying is you can't get something for nothing. If you're going to have a position you have to stand *somewhere.* Nihilism would condemn you to suicide – I see no other way to handle a completely nihilistic position. So the question everyone must ask himself is: here I am; I'm an imperfect human being who cannot be certain of anything, so what position can I take? Which involves the least intolerance on my part, the least arrogance, the least expression of belief in my own superior wisdom or knowledge? And it's in this sense that I say that the most attractive position, or the least unattractive position – those are identical – is putting individual freedom first. Because that involves placing least weight on personal views about what's right or wrong. It says every other man has just as much right to his opinions as I have, provided he doesn't try to interfere with my having my opinion, and that I don't interfere with him.

REASON: But that's where the paradox arises. Mill himself has an example of somebody stepping on a bridge about to collapse and he says, am I not caught in a dilemma of either forcing him to save himself if I interfere, or of letting a perfectly innocent person be destroyed. So sincere people such as Nader push for more regulation. They say, OK, even in the face of dire abuses, are we not then justified to make these moves? And there are clearly some emergency cases when we are, and if those are admitted why aren't massive emergency moves

admitted? Don't you think, then, that from a point of view of ignorance we may not be as able to defend the value of liberty as from the point of view of a positive thesis that it contributes to good?

FRIEDMAN: In the first place, no principle whatever is really going to give one an unambiguous guide to acts in individual circumstances, because every one is a complicated situation, and it's naive to suppose that you can derive from fundamental principles complete rules to conduct. What can be derived from principles are criteria by which to judge conduct, but not decisions about conduct. This is one of the places where I have a good deal of criticism of many who call themselves libertarians, who believe that from that single principle they can decide all practical circumstances without knowledge of the particular issues. The second point is that relations between people and individual behavior present separate problems. The belief in freedom provides no guide whatsoever to individual conduct. Robinson Crusoe on an island, with nobody else around, is perfectly free, but that doesn't say what action on his part would be regarded as good by him or you or anybody else. Now the positive case for freedom as opposed to the negative case has to do with individual behavior and it has to do with the argument that in a free society each individual will have to formulate, and act in accordance with, his own personal values and beliefs and ethics. That's the positive case for freedom.

REASON: Would you consider a hypothetical case which might illuminate something about your basic values? Most economists have been associated with what would generally be considered a utilitarian position . . .

FRIEDMAN: I myself have never accepted utilitarianism.

REASON: All right. But suppose that the Soviet economy was as productive as capitalism and vice versa, but the capitalist society maintained the individual freedom that you value. Would it be a problem for you to select between those two societies?

FRIEDMAN: It would not be a problem for me to *select,* only to predict. I would *predict* that under those circumstances capitalism would not survive, which doesn't mean that I wouldn't personally prefer it.

REASON: Would you prefer individual freedom even if it meant foregoing a higher material standard of living?

FRIEDMAN: Of course, but there's no dilemma, because the only circumstance under which a communist society would have a higher material level of living than a capitalist society – in my opinion – would be one in which the participants preferred other things to a higher material standard of living. But I would go on to predict that a capitalist society under those circumstances could not possibly survive, because there are a lot of people who are in favor of free enterprise and a capitalist system only because it delivers the goods. It's fortunate that the capitalist society *is* more productive, because if it were not it would never be tolerated. The bias against it is so great that, as it is, it's got to have a five-to-one advantage in order to survive.

REASON: And it's touch and go at every moment.

FRIEDMAN: It's touch and go. In fact, I have long believed that there's a strong argument to be made that a free society is a fundamentally unstable equilibrium, in the language of the natural sciences. From a purely scientific point of view, and now I'm going away from philosophy, there's a great deal of basis for believing that a free society is fundamentally unstable – we may regret this but we've got to face up to the facts.

REASON: Do you mean that it's a dynamic system?

FRIEDMAN: No. A stable system can be dynamic – all "dynamic" means is that you have a system in which the variables you are interested in do not have constant state values, but are changing all the time. No, I mean something which is much more elementary and simple. I'm not trying to make a very sophisticated point. How often and for how long have we had free societies? For short periods of time. There was an essentially free society in 5th-century Greece. Was it able to survive? It disappeared. Every other time when there's been a free society, it has tended to disappear.

REASON: Perhaps that's an accident.

FRIEDMAN: But if you stop and think, there are certain features about society that give you reason to worry. An authoritarian society has a kind of stability which derives from its monopoly of power and authority. Let me illustrate this in one simple way. We observe, and are always asking ourselves the question, why it is that in the Western world intellectuals tend to be collectivists. Certainly one reason is that by nature their whole interest is in questioning things, including whatever society they're in. But in a collectivist society they can't speak up because of suppression, whereas in a free society they can. So the only intellectuals heard from tend to be collectivists. This is an illustration

of the kind of forces that make a free society an unstable equilibrium. That doesn't mean we oughtn't try to achieve a free society, to ask ourselves how we can introduce a greater degree of stability. But I think it's the utmost of naivete to suppose that a free society is somehow the natural order of things.

REASON: What about the current situation? How would you assess things today in broad terms and perhaps with some specific recommendations?

FRIEDMAN: Things have been working against us, of course. The direction has been away from freedom and not towards it. There isn't any doubt about the fact. Look at the role of government in the U.S., for example. Today government spending at all levels, state, Federal and local, amounts to 40 per cent of the total national income. And that's an underestimate of the extent of control which government has over our daily lives. There has been an accumulation of restrictions on individual and human freedom in the past 30 or 40 years. Consider the situation right now in Great Britain. Great Britain in the 19th Century was an essentially free society. It certainly had moved a great deal in the direction of a free society. It's now moving in exactly the opposite direction. It's not at all clear whether Great Britain will be able to remain a free society. If you look over the world as a whole the dominant feature has been the decline, not the growth of freedom. I may say that the most discouraging is West Germany. Since the end of World War II Germany has had a tremendous success in every direction by pursuing essentially free enterprise lines. It has done extremely well economically, and also in terms of individual freedom. Moreover, there's no other country which has had more experience, of its own and from its neighbors, of collectivists. Yet what do we find? The intellectual community in West Germany has become predominantly collectivist. In West Berlin we see the so-called Free University facing into the Wall which was set up in protest against the West, largely taken over by collectivist groups. Now I find that a very discouraging situation.

REASON: Perhaps we can go back to your comment about intellectuals. What do you think of the thesis put forth by von Mises and Schoeck, that *envy* motivates many contemporary intellectuals' opposition to the free market?

FRIEDMAN: Well, I don't think we'll get very far by interpreting the intellectuals' motivation. Their critical attitudes might be attributed to personal resentment and envy but I would say that a more fruitful direction, or a more fundamental one, is that intellectuals are people with something to sell. So the question becomes, what is there a better market for? I think a major reason why intellectuals tend to move towards collectivism is that the collectivist answer is a simple one. If there's something wrong pass a law and do something about it. If there's something wrong it's because of some no-good bum, some devil, evil and wicked — that's a very simple story to tell. You don't have to be very smart to write it and you don't have to be very smart to accept it. On the other hand, the individualistic or libertarian argument is a sophisticated and subtle one. If there's something wrong with society, if there's a real social evil, maybe you will make better progress by letting people voluntarily try to eliminate the evil. Therefore, I think, there is in advance a tendency for intellectuals to be attracted to sell the collectivist idea.

REASON: It's paradoxical but people might then say that you are attributing to the collectivist intellectual a better feeling for the market.

FRIEDMAN: Of course. But while there's a bigger market for Fords than there is for American Motors products, there *is* a market for the American Motors products. In the same way, there's a bigger market for collectivist ideology than there is for individualist ideology. The thing that really baffles me is that the fraction of intellectuals who are collectivists is, I think, even larger than would be justified by the market.

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REASON: Perhaps we could turn a little bit to your conception of science, because one of the widely discussed problems recently is the nature of social sciences as such. Now you are well known for your path-breaking article in *Essays in Positive Economics* dealing with the methodological foundations of your field. It is probably an accurate statement to say that you believe, along with many others of course, that social science can evolve without a place for values in its assessment of human affairs and in its predictions and explanations. What would you say to the argument that this is a mistake because the human animal is just that kind of thing which has value?

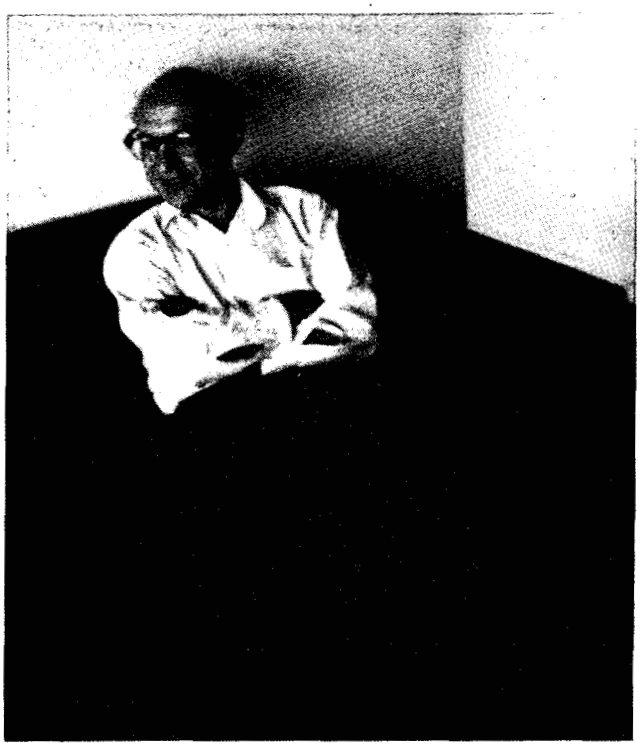
FRIEDMAN: I think most of these difficulties are semantic rather than real. Obviously one scientific problem in the social sciences has to do with what values human beings have. How do these values affect their behavior? Are there some consistent tendencies for particular values to develop rather than others? Those are all questions in which the investigator is not imposing his own values. Then no doubt the questions which any particular investigator seeks to pursue depend on what he considers important, which depends on his own values. Certainly the values of the investigator will affect what problems he pursues in the physical sciences as well. The fundamental question from a methodological point of view is whether values enter in any different way than they enter into the study of the physical sciences.

REASON: The suggestion has been made that scientific statements about human affairs involve issues that are value laden — that is, the objects one considers are value laden. For instance the concept "President" is tied up with an entire value system. So when one tries to make a political science judgment about the relationship between President and citizen one is necessarily involved in implicit valuations because of the concepts at issue.

FRIEDMAN: But none of this constitutes any difference whatsoever between the methodology of the social and the physical sciences. All you're saying is what I said earlier, that among the objects of study in the social sciences are values. Consider the following — I want to make a prediction about the effect on the political system, 20 years from now, of an impeachment and successful conviction of Mr. Nixon. In order to make an objective scientific prediction, I will have to examine the set of values that is now embodied in the concept of the Presidency, how the impeachment and conviction of Mr. Nixon would alter those values, and how that would alter the political structure of the role of the President. Of course I'm dealing with values at every step, yet the fundamental questions are value free — I'm not saying anything about whether a particular change would be good, bad or indifferent. Once the scientist has generated an hypothesis, wherever it came from, a crucial scientific question concerns the basis for accepting or rejecting it. And in this sense, the natural sciences are on all fours with the social sciences. I've always said that those who maintain a difference between the social and natural sciences are wrong, not about the character of social sciences, but about the characteristics they attribute to natural sciences.

REASON: In the approach that you take, say with respect to this impeachment issue, even from your own description there seems to be a model of human beings that enters in — a model to the effect that if something happens in his circumstances, something will happen to the entity, to the individual and his groupings. And those seem to be of a certain kind. Where do you get, in your particular science, that model of man?

FRIEDMAN: Where do biologists get the model of the behavior of the monkey? Predominantly out of the cumulative work in the field. In studying human behavior we have one advantage over the scientist studying monkeys — we are members of the same species that we're studying and therefore have an additional source of information, namely introspection. But that doesn't alter the character of the pursuit or of the finding. Whether our conclusions are accepted or not does not depend on their introspective certainty, but depends on whether in



fact they do predict what happens.

REASON: Could you let us know your thoughts about your son's (David Friedman) recent book, *The Machinery of Freedom,* his anarchocapitalism and his suggestions for the maintenance of justice in a free human community.

FRIEDMAN: Well, needless to say, I'm a biased commentator on that. I think it's an extremely good book, which doesn't mean that I agree, necessarily, with all his conclusions. But I think David has done something which it's very important for people who believe in anarchocapitalism to do, and that is to face seriously the hard problems. Take the problem of pollution. Or the problem of preserving law and order. The problem of enforcing contracts. The problem of defense. These are all real problems. They are not to be dismissed by some appeal that somehow or other the market is ingenious and will solve them. It seems to me that the virtue of David's book is that he does face up to those questions and looks seriously at the kinds of institutions which might be developed. All of the problems of this class, I might say, reduce to having an arrangement under which people do pay for all the costs they impose on others or for all the benefits they receive from others. The market is most effective and most efficient when that's relatively easy to do. It is least effective and least efficient when that's hard to do.

REASON: Do you agree with his anarchocapitalism?

FRIEDMAN: I personally would like to believe that an anarchic society is feasible. I do not believe that it is. But at the moment there's a very long way to go before we really get to the point where we part company. There are so many activities of government today which *cannot* be justified on any grounds whatsoever, cannot be justified even by *potential* defects in market arrangements. So we can surely all go a long way down his road before we come to any parting of ways.

REASON: Could you indicate more specifically where you think the weakness in his argument is?

FRIEDMAN: Yes. It has to do with the possibility of developing a substitute for government arrangements to protect against physical coercion. I believe that there must be an ultimate police force. While I think his argument is ingenious — maybe I'm wrong, and I'd like to see somebody experiment with it — it doesn't persuade me that you can avoid the necessity, if you have a community, for an effective government to provide an ultimate monopoly of

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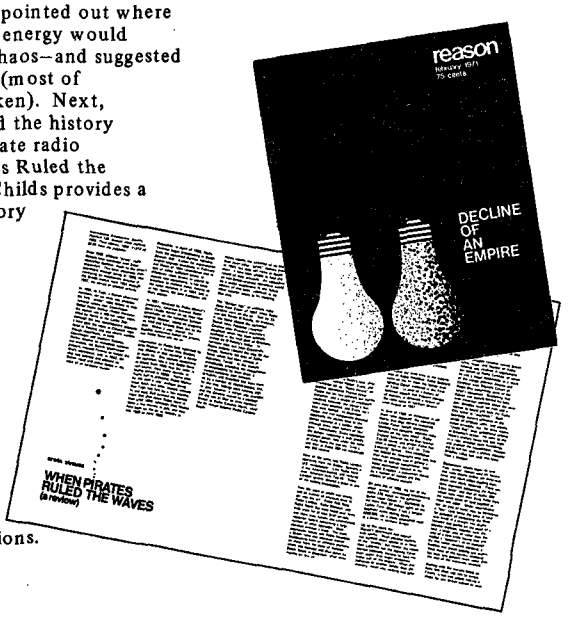

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force.

REASON: Do you think there's a general misunderstanding of your position on gold? It's taken as one of the paradigm cases of your divergence from the general libertarian point of view that you do not believe in a gold-backed money system.

FRIEDMAN: What that reflects is simply a confusion between what I call a real gold standard and a pseudo gold standard. My views on this are stated very clearly in an essay reprinted in my collection of papers, *Dollars and Deficits.* I do not believe in a gold-backed system when that means having the kind of fake gold standard that we had in the United States between 1914 and 1971. I do believe that every individual should be free to own, buy and sell gold. If under those circumstances a private gold standard emerged, fine — although I make a scientific prediction that it's very unlikely. But I think those people who say they believe in a gold standard are fundamentally being very anti-libertarian because what they mean by a gold standard is a governmentally fixed price for gold. It's price fixing. It's what I call the pseudo gold standard. Undoubtedly there is a great deal of misunderstanding on my position on this.

REASON: Do you think there's any genuine hope that in the next decade the Federal Reserve System will bring the rate of monetary expansion down to the level that a free society could live with?

FRIEDMAN: A high rate of monetary expansion would not be desirable but a free society can live with any rate of monetary expansion, provided there isn't an attempt to eliminate its effects by price and wage controls. What a free society cannot live with is an attempt to repress inflation.

REASON: Do you think that a desirable rate of monetary expansion is very likely to be accomplished?

FRIEDMAN: Yes, but not in the very near future. I think we're going to go through recurrent inflation arising out of overreactions to temporary recessions. I think we are heading for rates of inflation, perhaps 15, 20, 25 percent. We're not heading for a runaway inflation as in Germany after World War I — that only happens if the government has no taxing power at all. But I think we will get increasing rates of inflation. Now after a while people get fed up with it, and it's only then that there is some hope for a reasonable rate of monetary growth. Probably at this stage, a precondition for a successful tapering off of inflation is the emergence of a much wider range of escalator clause arrangements — not only in wages, but in mortgages, loans, bank accounts, and so on, all over the economy.

REASON: You recently gave a speech here in Chicago in which you said some rather depressing things about our current situation having to do with free speech and the opportunity to speak one's mind on political issues, etc. Will you elaborate on that for us?

FRIEDMAN: Well, many people argue as Hayek did so effectively in *The Road to Serfdom,* that there will come a time when the extension of the role of the State will threaten personal freedom. I was saying that that's not a future possibility — it's a present reality. Suppose you look at various classes of society and ask who is really free to express his views on a wide range of subjects without fear of paying any substantial penalty. I think the only people who are really effectively free at the moment are a subset of long-tenured professors in leading universities. Only a subset. Consider for a moment the University of Chicago, which I would certainly call a leading university that has always protected individual freedom. Let us suppose that you are a professor of medicine and your research is being financed by the National Institute of Health or the National Science Foundation and you personally believe that it's wrong for government to subsidize medical research. Would you really feel free to get up and make that statement in public? Are the costs greater than you can afford to pay?

REASON: Would you extend this analysis further than academia?

FRIEDMAN: Absolutely. As I said in that speech, the case which is even more obvious is the businessman. There's not a leading businessman in this country who really has freedom of speech. He cannot make a statement and be responsible to the people who hire him, namely his stockholders, without looking over one shoulder at what the IRS is going to do in response to that statement, over another shoulder at what the Federal Trade Commission is going to do, what the antitrust division is going to do, or right now, what the federal energy office is going to do. The restrictions on personal freedom in the strictest sense of freedom of speech, of freedom of political activity, that now bear on people as a result of the growth of government are very real and very far reaching.

REASON: What do you think, in general, of REASON?

FRIEDMAN: I think REASON has done well in maintaining a fair amount of tolerance for a variety of views. One of the problems for the general category of publication in which REASON falls is that they've tended to become too sectarian and as

a result they have very little influence outside the range of the true believers. That doesn't mean that you shouldn't have a firm editorial policy, but I think you ought to keep your columns open to views that you may disagree with. The other thing I might say is that some of the most interesting things that I've seen in REASON are articles that offer a substitute for existing policies and not merely philosophical or ideological content. For example the article some years ago on the jitneys was one of the most useful and effective articles you had. We have to keep on pointing out the way in which actual programs work, whether they be governmental or private, and not simply appeal to first principles all the time. I'm not objecting to having theoretical articles. It's a question of mix.

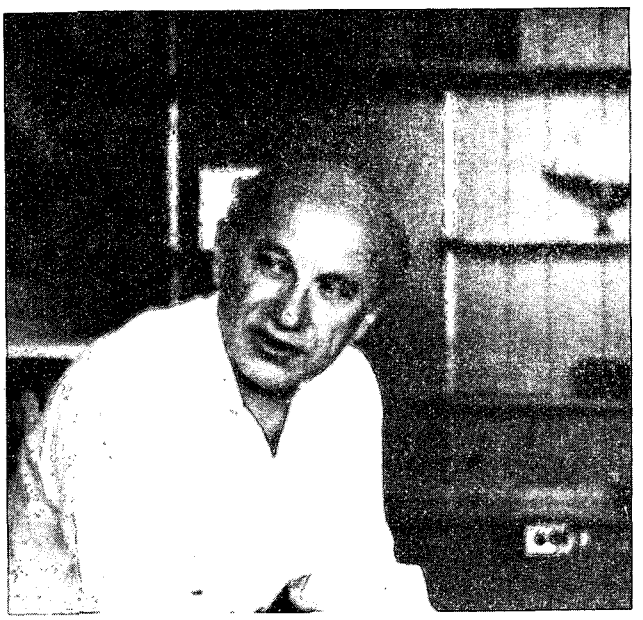
REASON: Yes, the division of labor applies in the intellectual as any other realm. We have tried to bring out practical solution type of articles — when we can get them. But sometimes we wonder — there's a rather crude expression about going against the wind — and we wonder whether our time couldn't be invested in some other activity with greater profit for both our ideology and our pockets.

FRIEDMAN: No. Part of our general philosophy is that everybody pursue those things that he thinks valuable. I'm always getting letters — for example I've written *Newsweek* columns against social security and one of the standard responses I get is from people who want to be put in touch with groups that will organize and do something about this. They want to get together with me and organize a group. My standard response is that I believe in a division of labor — regard my role and my most useful function as being to write and argue about this.

REASON: But you sometimes wish that there was an ACLU that was vigorously protecting the constitutional rights of businessmen and capitalists?

FRIEDMAN: No. I certainly do not. I often say that the two chief enemies of the free society or free enterprise are intellectuals on the one hand and businessmen on the other, for opposite reasons. Every intellectual believes in freedom for himself, but he's opposed to freedom for others. He thinks that the business world is different, that because of a chaos of competition and waste, there ought to be a central planning board that will establish social priorities. But he's horrified at the thought of having a central planning board to establish social priorities for writers and researchers. So the intellectuals favor freedom for themselves and oppose it for everybody else.

The businessmen are just the opposite — every businessman is in favor of freedom for everybody



else, but when it comes to himself that's a different question. He's always the special case. He ought to get special privileges from the government, a tariff, this, that and the other thing. And it's this coalition that's really difficult for us so I think we ought to be careful of according businessmen too much power, or of believing that they are the major source of support for a free society.

I believe the case for free enterprise, for competition, is that it's the only system that will keep the capitalists from having too much power. There's the old saying, "If you want to catch a thief, set a thief to catch him." The virtue of free enterprise capitalism is that it sets one businessman against another and it's a most effective device for control.

REASON: Do you have sympathies with that argument for the free society which says that it's based on an inherent sort of psychological egotism — that people naturally pursue their own interests and that can be taken advantage of best in a free market situation.

FRIEDMAN: Sure. People do pursue their own interests, and free enterprise is the kind of arrangement which will enable a large number of people, all pursuing their own interest, to do so most effectively. But it doesn't mean that *any* free enterprise system, or any free market system will do so. People forget the fundamental distinction between Adam Smith's version of The Invisible Hand and what I suppose you could regard as Bastiat's version. The French idea was that there is somehow a harmony in nature so that by natural forces if people were left free to pursue their own interests they would benefit everybody. Adam Smith's was a much more subtle and sophisticated argument, that it is possible to set up institutions

under which people pursuing their own interests will benefit everybody. His invisible hand required the right set of institutions and I think that's the case. After all, the distinction between a collectivist society and a market or individualist society is not whether people pursue their own interests. If I take Russia, for example, the people in Russia are all pursuing their own interests but the institutions set up in Russia make what is in each person's own interest different from what it would be in the United States or in Britain. The manager of a factory in the Soviet Union in pursuing his own interests has to count on the possibility that if he does one thing rather than another he'll get shot. That's one of the sanctions that affects his interests. It doesn't mean he's pursuing some other interest. I don't see how you can think of a world in which people are not pursuing their own interests. What kind of world would that be?

REASON: In a way that becomes definitional — everybody necessarily pursues his own interests. The objection is that there are circumstances in which people can choose not to pursue their own, but someone else's interests. Now if you want to say that they are just pursuing their own interests then it becomes an irrefutable thesis about self-interest.

FRIEDMAN: I understand, but it is true that most people, most of the time, in most societies are pursuing their narrow self-interest as immediately perceived, and neither a long-range nor an altruistic self-interest. I've always viewed the argument for a free society from a somewhat different point of view — how to set up a social arrangement under which the minority can be free to pursue a more far-reaching self-interest? The argument has always been made that the trouble with capitalism is that it's materialistic, while collectivism can afford to pay attention to the nonmaterial. *But the experience has been the opposite.* There are no societies which have emphasized the purely material requisites of well-being as much as the collectivist. A great majority of people is always concerned with material self-interest, but in collectivist societies that great majority dominates the policy and the minority is suppressed. A free society, a market society, permits those in a minority to pursue their own ends, and in fact it is in the free societies that there has been a far greater development of the nonmaterial, spiritual, artistic aspects of well-being. But again, it is only possible with the right set of institutions — a capitalist society can suppress freedom as well. Look at many of the South American societies.

REASON: You would consider them capitalistic?

FRIEDMAN: Sure. Capitalism is a necessary condition for a free society but it's not sufficient. Nazi Germany was a capitalist but not a free society.

REASON: This seems strange because ordinarily capitalism is understood to mean the use and disposal of capital on a voluntary basis.

FRIEDMAN: But that's *competitive* capitalism. Capitalism simply means the private ownership of the means of production.

REASON: But in Nazi Germany production was fully regulated by the state.

FRIEDMAN: Of course. But that's not a question of capitalism but of how universal are the rights of private property or the right of competion. From the point of view of capitalism as traditionally defined, the people who own the means of production might not be able to use it in all possible ways, but they could dispose of it, they could sell it, they could get the proceeds. In the U.S. every corporation is effectively half owned by the government because the government takes roughly half its profits and shares in half its losses. In that sense you could say the U.S. economy is predominantly socialistic. Even the most purely competitively capitalistic society you can think of would have limitations on what people can do with their property. In the ideal world as conceived by libertarians I would not be free to use my property to hit you over the head.

REASON: For purposes of distinguishing capitalism from other systems, wouldn't the relevant distinction be between use and disposal that necessarily or unavoidably involves somebody else and that which doesn't?

FRIEDMAN: Yes. But this is one of the areas where libertarians are most guilty of not facing up to hard problems. There are no natural rules and definitions of property. There is ultimately an essentially arbitrary element to where we draw the line. What one man may regard as an infringement on property rights, another man may not. Let's take the case of the air space above your land. Is there really going to be any other than an arbitrary decision about how many feet above your house a man can fly before he's violating your air space?

REASON: This becomes a very pragmatic issue because it is by allowing this wide use of the term capitalism — because of its historical association, at least in America, with a free society — that indictments of capitalism qua relying on capital become indictments of the free society. Anything that is bad about the society gets to be called capitalist.

FRIEDMAN: Sure. There's no way of avoiding

that. The best remedy is to state clearly what you are in favor of. I'm not in favor of capitalism as such – I'm in favor of *competitive* capitalism. I'm in favor of free enterprise capitalism, and I'm in favor of laissez faire subject to general rules, and so on. You mustn't get sucked into the trap of defending capitalism as such, including those aspects of it that you don't agree with. After all, getting tariffs was primarily an activity of people you would in every sense call capitalists and they were promoting their private interest by doing so. There's no inconsistency in saying that you're in favor of competitive capitalism and saying, as I did before, that one of the major threats to a free enterprise system is the businessmen.

REASON: Do you think that a negative income tax and a voucher system are viable for purposes of increasing human freedom and opening up the marketways, given the political facts of life?

FRIEDMAN: If they are not, I do not know what are. The basic political fact of life is that we must start from where we are now. You cannot hope to get to your ideal except by some intermediate route which will take you from where you are now to where you want to go. If I were starting with a clean slate, in my ideal society I've no idea whether I would be in favor of either the voucher or the negative income tax. Well, actually, with respect to the voucher I would not be in favor of it. In this area I have changed my views somewhat because of evidence that has come up. At one time I thought a strong argument could be made for compulsory schooling because of the harm which the failure to school your child does to other people. In principle one cannot reject compulsory schooling as a desirable thing. But the work which Ed West and others have done on the actual development of schools makes it abundantly clear that in the absence of compulsory schooling there would nonetheless be a very high degree of literacy – that self interest would be sufficient to yield a degree of schooling which would satisfy the social need for a literate society. Consequently, I am no longer in favor of compulsory schooling. If you're not in favor of compulsory schooling there's no reason to have a voucher system.

REASON: What about starting from where we are now?

FRIEDMAN: The voucher scheme is the only one I've come across which offers some improvement, which introduces a larger degree of market forces and, more importantly, offers a possible route to getting rid of governmental financing altogether. Because once the voucher – fixed sum – is introduced and market schools are introduced – which would have to be done under a sensible voucher scheme – then there's a chance that the voucher will wither away, that the size of the voucher will stay the same while through inflation and real income growth, it will come to constitute a smaller and a smaller part of the total cost of schooling.

REASON: Would you also hold that in a free society there would be no place for the negative income tax?

FRIEDMAN: There I'm not so sure what my attitude would be if we were starting from a clean slate. I do believe that a case can be established for joint action to help people in dire distress. This is one of these problems of external effects where I am benefited if you help somebody who is poor, just as I benefit from your educating your child. It might be that joint action such as the negative income tax is unnecessary and my own belief is that voluntary charity would probably be more than sufficient to eliminate acute distress. But that's a practical conclusion; it's not grounded on principle, in that a free society would not necessarily rule out arrangements under which 90 percent of us agree to impose taxes on ourselves to keep the other 10 percent from dire distress.

The fundamental underlying principle of a free society has to be unanimity – but it is not capable of being achieved. The virtue of a market arrangement is that unanimity is achieved without any measure of coercion and wherever that's feasible through a market arrangement, fine. But it isn't always. How does one deal with the case where what literal unanimity requires is that I agree to contribute on the assumption that everybody else agrees? The fundamental problem in achieving unanimity is transaction costs. The argument often given is that if everybody is in favor of it then they can voluntarily come to agreement, but this avoids the hard issue of the cost of making such an arrangement. That's why I say that my concept of a free society does not exclude the use of governmental arrangements in those cases where transaction costs are so high that we are willing to accept, as it were, being overruled in some cases in order to avoid the transaction costs involved in achieving true unanimity.

REASON: But aren't you opening the flood gates for comprehensive entry of government when you argue that because this is a distress situation we should allow the government to come in? Every time Ralph Nader stands up and makes a case it's something "very distressing and upsetting . . . ."

FRIEDMAN Well, first of all, you're empirically wrong. Consider the American experience. We had a limited government which, from the Revolution to 1930, did not in fact expand greatly. Except for a

period of major war all governments, Federal, state, and local, never spent more than 10 percent to 15 percent of the total national income. The flood gates had been opened and there was no flood. Secondly, you can't avoid opening those gates. The empirical experience is that when voluntary arrangements were relied on people objected to that so much that government got into the act. Isn't it better to recognize that we're going to live in a mixed world than to say, "Oh, my God, we won't do anything through government because once we do any little thing we have a flood."

REASON: The alternative is not anarchism.

FRIEDMAN: But it is.

REASON: No. The proper role of government would be adjudication and crime prevention, because there force is involved. But where there's no force involved — the crippled children are unfortunate and not made crippled by criminals — then there is no place for the government because no *injustice* has been done to those people and there is nothing for the government to adjudicate or prevent.

FRIEDMAN: *But your flood gate is opened.*

REASON: No, because prevention of coercion is a very limited area of operation which is specifiable and the criteria for which can be ascertained. The distinction is voluntary/involuntary.

FRIEDMAN: You are kidding yourself, as you would find out if you tried to pin down precisely what actions constitute coercion, what actions are voluntary, and what actions are involuntary. But, in any event, we've gone a long way away from the issue of the negative income tax.

REASON: But it all ties together. A number of people who oppose that program maintain that you are introducing government in an area where no force exists, and that the only justifiable role for government is where there is coercion.

FRIEDMAN: If we go back to the negative income tax, the argument you're now making is relevant only to whether, starting from a clean slate, it should be introduced. But it's utterly irrelevant to the present question, which is how to get government out of an area where it's already strongly entrenched.

REASON: One of the objections offered against your suggestion is that to introduce negative income tax measures allows for the development of another bureaucracy that is going to be self-perpetuating and it's illusory to think that it's going to put itself out of business.

FRIEDMAN: The question is, how do you substitute for the present bureaucracy one which there's at least some chance of reducing in the future? And the fundamental tactic in all of these cases is the same — you cannot move from where you are now to where you want to go by abolishing what you nowhave. So the method is to get the present bureaucracy to operate a system which has some self-destructive features — give that bureaucracy a different function, but a function which there is at least some chance will wither away. I don't see any alternative tactic and I wonder what alternatives the critics of these schemes can come up with.

REASON: One of the alternatives that they might raise is to tackle the problem from a different direction, something like law, referenda, politicians, etc. Get some free market congressmen and free market senators . . .

FRIEDMAN: But what do we want them to vote for? The negative income tax and the voucher scheme are both devices for enabling the free market to play a larger role and it's not an answer to say we want to get free market congressmen. Do you really think that there's any possibility that a Congress, even one including people who oppose the negative income tax, would vote to eliminate welfare overnight? Entirely aside from the force of the bureaucracy, it would be an utterly inhuman thing to do. We, through government, have induced millions of people to be dependent on welfare who would never have been dependent on it if we hadn't started out on this line 30 or 40 years ago. Can we overnight throw them on the streets?

REASON: Some people would probably say yes and their argument is, "It's not my responsibility — I never voted for those things, I never induced anybody to go on welfare. Maybe I will help these people once the laws are off the books, but as long as they are living off these coercive laws I'm going to do everything to eliminate the laws and then take care of the problem when it arises later." That may be heartless in your view, but it's a firmly held position by some.

FRIEDMAN: Well, I understand the position but I think that is not an effective way to achieve their own objectives. I don't think a revolutionary, once-and-for-all approach will succeed. As I said earlier, I think the odds are that a free society is on the way out but that doesn't mean that we shouldn't fight for it, or that sulking in our tents explaining to one another how nice it would be if we could only wipe the slate clean and get our way is an effective means of fighting for a free society. ◻

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Economists and Public Policy

R H COASE

Dr. Coase is a professor at the University of Chicago Law School and editor of The Journal of Law and Economics.
This article is based on a lecture he gave at UCLA this spring.

There are some economists who argue that economics is a positive science and that all we can do is to explain the consequences that follow from various economic policies. We cannot say whether one policy is preferable to another, because to do so would require us to introduce value judgments, in the making of which we have no special competence. Thus we can say that certain agricultural policies (say collectivisation) will lead to widespread starvation but we cannot say whether collectivisation is or is not desirable. Such self-restraint is, I think, unnecessary. We share (at least in the West) a very similar set of values and there is little reason to suppose that the value judgments of economists are particularly eccentric. There will, of course, be instances in which, knowing the consequences of a change in policy, there will be differences in opinion as to whether the change is desirable. But such cases are, I believe, exceptions and can be treated as such. I agree with Milton Friedman's judgment that "currently in the Western World, and especially in the United States, differences about economic policy among disinterested citizens derive predominantly from different predictions about the economic consequences of taking action — differences that in principle can be eliminated by the progress of positive economics — rather than from fundamental differences in basic values, differences about which men can ultimately only fight." Of course, if this is so, it has the result that an analysis of the consequences of alternative social arrangements becomes a prescription for policy (since we all share the same values). Thus it hardly matters, once it is established that a certain policy will lead to widespread starvation, whether we add that the policy would be undesirable — although to refrain from doing so on principle seems like an affectation. In general, one would expect that a statement of the consequences of alternative policies would bring its policy recommendations with it.

Whether they should or not, few economists do in fact refrain from making pronouncements on public policy — although the state of the economy (both here and elsewhere) suggests either that the advice is *bad* or if good, that it is *ignored.* Of course, there is the other possibility, more disturbing from some points of view but reassuring from others, that the advice is disregarded, whether it is good or bad. I happen to think that we are appalingly ignorant about many aspects of the working of the economic system, at least so far as that part of economics is concerned in which I am particularly interested — the economics of the firm and industry. I think we know very little about the forces which determine the organization of industry or the arrangements which firms make in their transactions with one another. We have, of course, been told that when we consider the economics of the system as a whole, what is termed macro-economic policy, that things are very different, at least since the appearance of Keynes' *General Theory,* and that we now know how to secure full employment coupled with a stable price level. I leave to others more knowledgeable in this field whether our present troubles are due to ignorance, impotence in affecting policy or some other cause. But I *do* seem to have detected in recent years a degree of humility among workers in this field not hitherto observed.

SIMPLE TRUTHS

Yet having said this, I would not wish to argue that economists do not have something valuable to contribute to the discussion of public policy issues.

The problem is that economists seem willing to give advice on questions about which we know very little and on which our judgments are likely to be fallible while what we have to say which is important and true is quite *simple* — so simple indeed that little or no economics is required to understand it. What is discouraging is that it is these simple truths which are so commonly ignored in the discussion of economic policy.

It requires no great economics to know that at a lower price, consumers will buy a greater quantity. Or to know that as price falls, producers will be willing to supply less. Even the combining of these two notions to show that, if the price is put low enough, producers will not be willing to supply as much as consumers wish to buy (so that what is called a "shortage" will result) is easy enough to understand. Indeed, the essentials of such a situation would be understood by many who have not studied economics at all. Yet consider an example. In the early 1960's, the Federal Power Commission began to regulate the field price of natural gas. The price was frozen at the 1959-1960 level. It became apparent that this was lower than the price would have been without regulation. What followed was what one would expect. Consumption was encouraged; the discovery and exploitation of natural gas was discouraged. The effect of the regulation was at first masked by a short-term fall in the cost of coal and by a reduction in the quality of what was supplied (the consumer had less assurance of the availability of the gas in future). But as time went on, the nature of the regulation-induced shortage of natural gas became obvious to the meanest intelligence and the Federal Power Commission began to take steps to raise the price.

A number of studies have been made (by Professor Paul MacAvoy and others) and there is general agreement about what happened. One of these studies was carried out by Professor Edmund Kitch at the University of Chicago Law School and was published in the *Journal of Law and Economics* in 1968. Later Professor Kitch updated his study and then presented his findings in Washington, D.C. in 1971, in a talk entitled "The Shortage of Natural Gas." A large part of the audience consisted of Washington journalists, members of the staffs of Congressional Committees concerned with energy problems, and others with similar jobs. They displayed little interest in the findings but a great deal in discovering who had *financed* the study. Many seem to have been convinced that Professor Kitch had been "bought" by the industry. A large part of the audience seemed to live in a simple world in which anyone who thought prices should rise was pro-industry and anyone who wanted prices to be reduced was pro-consumer. I could have explained that the essentials of Professor Kitch's argument had been put forward earlier by Adam Smith — but most of the audience would have assumed that he was someone else in the pay of the American Gas Association.

Adam Smith does not, of course, mention the natural gas industry, which did not exist in his time, but he deals with the same problem in his discussion of the Corn Trade. By corn, Adam Smith means, of course, wheat. I quote Adam Smith: "The interest of the inland (corn) dealer, and that of the great body of the people, how opposite soever they may at first sight appear, are, even in years of the greatest scarcity, exactly the same. It is his interest to raise the price of his corn as high as the real scarcity of the season requires, and it can never be his interest to raise it higher. By raising the price he discourages the consumption, and puts everybody more or less, but particularly the inferior ranks of people, upon thrift and good management . . . If by not raising the price high enough he discourages the consumption so little, that the supply of the season is likely to fall short of the consumption of the season, he not only loses a part of the profit which he might otherwise have made, but he exposes the people to suffer before the end of the season, instead of the hardships of a dearth, the dreadful horrors of a famine."

But, as Smith points out, since the dealer will maximize his profits by adjusting the price at which he sells so that consumption over the season is equal to the supply he is not likely to do this. Adam Smith adds: "Whoever examines, with attention, the history of the dearths and famines which have afflicted any part of Europe, during either the course of the present or that of the two preceding centuries, of several of which we have pretty exact accounts, will find, I believe, that a dearth never has arisen from any combination among the inland dealers in corn, nor from any other cause but a real scarcity, occasioned sometimes, perhaps, and in some particular place, by the waste of war, but in by far the greatest number of cases, by the fault of the seasons; and that a famine has never arisen from any other cause but the violence of government attempting, by improper means, to remedy the inconveniences of a dearth . . . When the government, in order to remedy the inconveniences of a dearth, orders all the dealers to sell their corn at what it supposes a reasonable price, it either hinders them from bringing it to market, which may sometimes produce a famine even in the beginning of the season; or if they bring it thither, it enables the people, and thereby encourages them to consume it so fast, as must necessarily produce a famine before the end of the season. The unlimited, unrestrained freedom of the corn trade, as it is the only effectual preventative of the miseries of a famine, so it is the best palliative of the inconveniences of a dearth; for the inconveniences of a real scarcity cannot be remedied; they can only be palliated." Of course, the beneficial role of the merchant in palliating the

inconvenience of the scarcity is not understood. "In years of scarcity the inferior ranks of people impute their distress to the avarice of the corn merchant, who becomes the object of their hatred and indignation." And he points out that this hostility to the merchant shows itself in the laws against "engrossing and forestalling," that is, the buying and holding of an inventory to sell at a higher price. Of course, Adam Smith is able to show that the merchant will only find this holding of stocks profitable when it is desirable that he should do so. And he comments: "The popular fear of engrossing and forestalling may be compared to the popular terrors and suspicions of witchcraft." Adam Smith here attempts to discredit the idea that businessmen by holding stocks make prices higher than they would otherwise be by likening it to a belief in witchcraft. Such an analogy would be less effective today — we also believe in witchcraft.

"The demand for nonsense seems to be subject to the universal law of demand: we demand less of it when the price is higher."

DEVIL THEORY

In the 200 years which have passed since Adam Smith wrote, many economists have argued along much the same lines about the futility of a policy of holding prices below the competitive level. One of these was Edwin Cannan, of the London School of Economics, who wrote about 60 years ago. He was, of course, speaking of the price controls established in Britain at the beginning of the first World War. He describes the public response to a rise in price: "Buyers who have to pay higher prices suddenly become either 'the poor' forced to reduce their consumption of necessary articles or else employers of a particularly needy and deserving class which will be thrown out of work by the rise. All the injured persons are at once represented as being iniquitously robbed by an unscrupulous gang of speculators, middlemen, blood-sucking capitalists, or rack-renting landlords against whom all the resources of the State ought to be brought forthwith. The ideal somewhat vaguely held seems to be an immediate return to the prices of a few months or a year ago." Of course, Cannan argues against price controls in the usual way. But he points to a rather paradoxical aspect of the situation: "When the price of a thing goes up, [people] abuse, not the buyers nor the persons who might produce it and do not do so, but the persons who are producing and selling it, and thereby keeping down its price." So, if there is a "shortage" of wheat or beef, or oil, we abuse those who are producing all the wheat, beef or oil that we have and without whose efforts the "shortage" would have been still greater. The reason why people show this hostility is that, as Cannan points out, if there is an unusual rise in prices, people "are perfectly convinced that the rise with which they have to contend for the moment is unnatural, artificial, and wholly unjustifiable, being merely the wicked work of people who want to enrich themselves, and who are given the power to do so not by the economic conditions . . . but apparently by some absolutely direct and inexplicable interference of the Devil. This has been so since the dawn of history . . . but no amount of historical retrospect seems to be of much use. The same absurdity crops up generation after generation."

The character of the public discussion of the oil problem suggests that we are no better than those who went before us. We observe the same attitudes today that Cannan described — "the rise [of price] with which we have to contend at the moment" being "unnatural, artificial, and wholly unjustifiable . . . the wicked work of people who want to enrich themselves." This raises the question of what the role of an economist should be in a world which rejects the only solidly-based advice that he has to give.

Frank Knight, in his presidential address to the American Economic Association in 1950, posed this question — and gave an appropriately depressing answer. "I have been increasingly moved to wonder whether my job is a job or a racket, whether economists, and particularly economic theorists, may not be in a position that Cicero, citing Cato, ascribed to the augurs of Rome — that they should cover their faces or burst into laughter when they met on the street . . . . The free-traders, as has been said, win the debates but the protectionists win the elections; and it makes little difference in our policy which party wins, the avowed protectionists or the professed free-traders. Inflation is of course to be brought on as a more pleasant alternative to taxation, and then suppressed by law and police action . . . . The serious fact is that the bulk of the really important things that economics has to teach are things that people would see for themselves if they were willing to see. And it is hard to believe in the utility of trying to teach what men refuse to learn or even seriously listen to . . . . Can there be any use in explaining, if it is needful to explain, that fixing a price below the free-market level will create a shortage and one above it a surplus? But the public oh's and ah's and yips and yaps at the shortage of residential housing and surpluses of eggs and potatoes as if these things presented problems — any more than getting one's footgear soiled by deliberately walking in the mud." Knight said that, in consequence of this, his interest had tended to

shift away from economic theory "to the question of why people so generally, and the learned elite in particular, as they express themselves in various ways choose nonsense instead of sense" – which is one possible response to the situation, although not, I think, the only one open to us. Knight also says something else which is, I think, helpful to those who are looking for an alternative response: "Explanation of policy might conceivably get farther if we . . . ask *why* men believe and practice nonsense but in general act so much less irrationally than they argue – and what follows from that."

SAVING GRACE

If we took seriously the arguments used by those who advocate price controls and similar measures, we would expect much more extreme, and less sensible, proposals than are actually put forward. Thus, some Senators believe that lower prices for gasoline would benefit consumers – so they introduce a measure in Congress which would make the gasoline prices of last December mandatory, not the still lower prices that prevailed in the 1930's. The Federal Power Commission undertook in 1961 to regulate the field price of natural gas – so the level of prices which it determined should be charged in future was that prevailing in 1959-1960. As Cannan said, writing some 60 years ago and about a different country: "The ideal somewhat vaguely held seems to be a return to the prices of a few months or a year ago." Similarly, politicians may make *speeches* which favor the elimination of all pollution; their *proposals* are much more moderate. Furthermore, I seem to observe that as the harm inflicted by the policy increases, the strength of the support for that policy decreases – which leads, if not to the elimination of the policy, at any rate to a moderation of it. The Federal Power Commission finally did act to raise the field price of natural gas, although it no doubt acted more slowly and made a smaller change than most economists would have liked. With a rise in the price of oil, concern about the fate of the caribou in Alaska became less pressing, and the Alaska Pipe Line is now likely to be built. Although controls, such as price and wage controls, are introduced to prevent the basic economic forces from working, a study of the history of controls would show, I believe, that, over a longer period, there have been very few controls which have not been modified to take them into account, or even abandoned, so that market forces have free sway. My conclusion is that, although a policy may be misguided, we should not assume that its range, severity and duration are not kept in check by recognition of the extent of the harm it produces. I do not myself understand *why* the political system operates in the way it does. Whether the interests opposed to the policy tend to become relatively stronger in the political arena as the amount of the harm inflicted by the policy increases or whether recognition of the amount of harm plays a more direct role in the political process or both of these factors operate, I do not know, although it would be my judgment that both of these factors exert some weight. At any rate, it may be that there is room for economists' views on public policy to play a valuable part in this process of modification and change, even though they will usually not be able to exercise a decisive influence over the choice of the policy itself. Certainly, however ill-advised policies may be, they are not in their administration devoid of sense. The demand for nonsense seems to be subject to the universal law of demand: we demand less of it when the price is higher.

HOPE

A more optimistic view of the role of the economist in the formulation of public policy or, at any rate, of his future role, was presented by Professor George Stigler in his presidential address to the American Economic Association in 1964, entitled "The Economist and the State." Professor Stigler argued that economists in the past have been willing to express views on the role of the State in economic affairs without making any serious study of how the State did in fact carry out the tasks entrusted to it or making any systematic investigation of the comparative performance of State and private enterprise. This was true both for those, like Smith and Marshall, who wanted to limit Government intervention in the economic system and for those, like Jevons, Pigou and a host of others, who were in favour of an expanding governmental role. Stigler's comments on their work seem a little harsh – they faced difficulties which we do not encounter and their contributions are not without value – but I do not wish particularly to quarrel with his main conclusion. I have argued that our knowledge is very limited – and we are able to read what our predecessors wrote.

Professor Stigler ascribes the lack of influence of economists on the formulation of public policy – which he asserts and I would not wish to deny – to their ignorance. "Lacking real expertise, and lacking also evangelical ardor, the economist has had little influence upon the evolution of economic policy." But that is the past. The future, according to Professor Stigler, will be very different. "The age of quantification is now full upon us. We are armed with a bulging arsenal of techniques of quantitative analysis, and of a power – as compared to untrained common sense – comparable to the displacement of archers by cannon. " . . . The desire to measure economic phenomena is now the ascendant . . . . It is a scientific revolution of the very first magnitude . . . . I am convinced that economics is finally at the threshold of its golden age – nay, we already have one foot through the door. The revolution in our thinking has begun to

reach public policy, and soon it will make irresistible demands upon us. It will become inconceivable that the margin requirements on securities markets will be altered once a year without knowing whether they have even a modest effect. It will become impossible for an import-quota system to evade the calculus of gains and costs. It will become an occasion for humorous nostalgia when arguments for private and public performance of a given economic activity are conducted by reference to the phrase, external economies, or by recourse to a theorem on perfect competition . . . . I assert, not that we should make the studies I wish for, but that no-one can delay their coming . . . . That we are good theorists is not open to dispute . . . . The last half century of economics certifies the immense increase in the power, the care, and the courage of our quantitative researches. Our expanding theoretical and empirical studies will inevitably and irresistibly enter into the subject of public policy, and we shall develop a body of knowledge essential to intelligent policy formulation. And then, quite frankly, I hope that we become the ornaments of democratic society whose opinions on economic policy shall prevail."

I was present when Professor Stigler delivered his address and as he ended with these words, it was hard to restrain a cheer. When the immediate impact of this eloquent and moving address had passed, Stigler's assertions brought to mind Pope's couplet: "Hope springs eternal in the human breast; Man never is, but always to be, blest."

MODEST EFFECTS

But even though we do not believe that such a glittering prospect lies ahead of us, we need not despair. If, as I am inclined to believe, economists cannot usually affect the main course of economic policy, their views may make themselves felt in small ways. An economist who, by his efforts, is able to postpone by a week a government program which wastes $100 million a year (what I would consider a modest success), has by his action earned his salary for the whole of his life. Indeed, if we compute the total annual salaries of all economists engaged in research on public policy issues (or questions related to this), which might amount to $20 million (or some similar figure), it is clear that this expenditure (or one much larger) would be justified if it led to a miniscule increase in the gross national product. It is not necessary to change the world to justify our salaries. But does the advice of economists on public policy issues improve the situation in those cases in which it does have some influence? I take Professor Stigler's main purpose to be, not to raise our morale, but to induce us to change our ways so that our advice will be worth following. If, as a result, we achieve my modest aim, we will at least earn our keep. If Professor Stigler's view of the future is correct, we will confer a great benefit on mankind — and be grossly underpaid.

The advice that we have had to offer in the past that was valuable — what I have called the simple truths — was, of course, the implications of a theoretical system which, while its range was restricted, has been confirmed time after time. The assumption of the theory was that businessmen wanted to make as much money as possible and that consumers wanted to get as much for their dollar as they could. Or, put more generally, and with more applications, it is assumed that people tend, in the main, to pursue their own self-interests. It has proved a very robust theory. But, of course, without knowledge of magnitudes (though they could sometimes be inferred) there were a lot of questions that the theory could not answer. But this hardly explains why the theory has been ignored for those questions for which it could give answers.

"It is well to remember that there is no such thing as a free statistic."

Professor Stigler pins his high hopes for the future on the growth in quantitative work. But this development is not without its costs. It absorbs resources which might otherwise be devoted to the development of our theory and to empirical studies of the economic system of a nonquantitative character. Aspects of the economic system which are difficult to measure tend to be neglected. It diverts attention from the economic system itself to the technical problems of measurement. I do not mean to suggest that we should *avoid* quantitative work. But it is well to remember that there is no such thing as a free statistic.

I would like to illustrate my view that nonquantitative work, or at least work with only the crudest form of quantification, can be of value by means of an example. Round about 1960 Senator Kefauver was holding hearings into the drug industry and particularly into its practices in introducing new drugs. The main thrust of the hearings was to suggest that the prices paid were too high but even more that the drugs were often of little or even of dubious value. Senator Kefauver concluded that it would be desirable to regulate the introduction of new drugs. At the time this proposal was under consideration the tragic side effects of the use of thalidomide by pregnant women became known. The result was to generate so much support for drug regulation that the Kefauver proposal, which might otherwise have failed to secure Congressional

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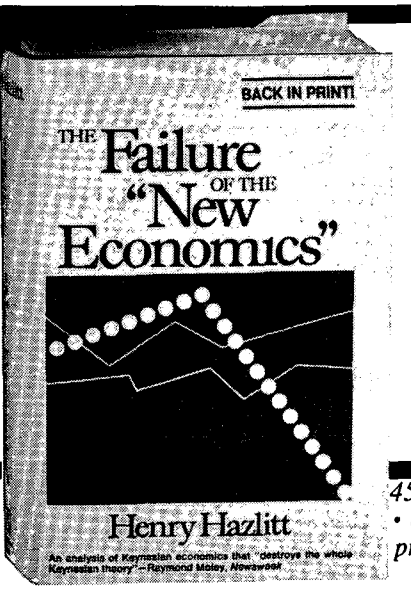
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approval, was enacted into law in 1962. Was it wise to do this? Consider what one economist said early in 1965 and long before the effects of this new law could be known. "I ask myself a question: Suppose I am a physician in the public health service, and somebody presents to me a new drug. I can approve it now, although we do not know its full effects, and commonly we shall not know the full effects of a new drug for five or ten years after it comes out. If I approve it, and a series of tragedies such as this thalidomide tragedy comes, what will happen to me? I shall certainly be discharged, and I will be held up to public obloquy. The public at large will demand that heads roll. The penalties on me are very heavy indeed if I approve a drug I should not have. Suppose on the other hand, that it proves to be a fine drug, and in the long run its achievements are wonderful, but we do not know this yet. If I hold up the use of the drug for five years until all the results are in, a large number of people may die because it was not available. Their survivors will not write and complain that I did not approve the drug earlier. All the penalties are on me in making the mistake of approving the drug too early and none on the mistake of approving it too late. This combination of rewards and penalties . . . seems undesirable." This simple application of the view that people (including government regulators) tend to have regard to their own self-interest leads to the conclusion that the regulation will result in considerable delay in the introduction of new drugs. Those of us who have seen the great improvements in health which have taken place in recent years as a result of the use of newly discovered drugs, particularly in the period since World War II, cannot but feel that the new regulation may have done more harm than good. In this case, it so happens that by now there has been a quantitative study of the effects of the new drug regulation, by Professor Sam Peltzman of UCLA, and it indicates that apprehension about this legislation was completely justified. The number of new drugs introduced each year on the average in the period 1963 to 1970 was about 40 per cent of what it had been in the period 1951 to 1962 and a statistical investigation carried out by Professor Peltzman indicates that the whole of this decline was probably due to the new legislation. But he went further. Noting that while some of the drugs excluded from the market by the legislation would have been beneficial, others would no doubt have proved to be unsafe or no better than drugs already existing, Professor Peltzman proceeded to make a calculation of the probable benefits and costs of the new drug regulation. The result: The gains (if any) which accrued from the exclusion of ineffective or harmful drugs were far outweighed by the benefits foregone because effective drugs were not marketed. This conclusion was clearly foreshadowed by the essentially nonquantitative assessment of the probable results of the new drug regulation to which I drew your attention earlier. The economist who made this assessment was Professor Stigler. It represents a fine example of nonquantitative reasoning.

CHOOSING ALTERNATIVES

The results obtained by Professor Peltzman were not altogether surprising since our normal theory would suggest that there would be a decrease (probably large) in the number of new drugs marketed, and, given the benefits which seem to be derived from newly discovered drugs, one would expect that this factor would dominate the results. But what was surprising (and our theory gives us no basis for expecting it) was that there is no strong evidence that the proportion of inefficacious drugs is substantially less in the smaller number of drugs marketed now than it was in the years before 1962. All this suggests, not that the decisions of doctors and patients about the use of drugs are correct but that it is not easy to devise alternative institutions that will perform better.

This is, I believe, a common situation although economists generally appear to have assumed otherwise. The reason for this sanguine attitude is that, while most economists do not ignore the inefficiencies of a market system, which, indeed, they are often prone to exaggerate, they tend to overlook the inefficiencies inherent in a governmental organization. It is therefore hardly surprising that economists in the last 100 years or so have been led to support (or acquiesce in) an ever expanding role for government in economic affairs and have not felt a need for any serious investigation of the working of governmental organizations. What is wanted, if policy recommendations are to have a solid foundation, is to take into account both how a market actually operates and how a government organization does in fact carry out the tasks entrusted to it.

CRITICAL LOOK

Fortunately the situation I have described does seem to me in process of change. Economists (along with others) are beginning to take a more critical look at the activities of government and the kind of study which I have suggested as desirable is now being made. Certainly there has been more serious studies made of government regulation of industry in the last 15 years or so, particularly in the United States, than in the whole preceding period. These studies have been both quantitative and nonquantitative. I have referred to studies of the regulation of natural gas and drugs. But there have also been studies of the regulation of many diverse activities such as agriculture, aviation, banking, broadcasting, electricity supply, milk distribution, railroads and trucking, taxicabs, whiskey labelling and zoning — I mention only studies with which I am familiar. There are doubtless many others. The main lesson

to be drawn from these studies is clear: they all tend to suggest that the regulation is either ineffective or, when it has a noticeable impact, that, on balance the effect is bad, so that consumers obtain a worse product or a higher priced product or both, as a result of the regulation. Indeed, this result is found so uniformly as to create a puzzle: one would expect to find, in all these studies, at least some government programs that do more good than harm.

In my paper on Social Cost, I argued that in choosing between social institutions, the decision should be based on how they would work in practice. I explained that there were costs involved in making market transactions and that consequently there were reallocation of factors of production which would, of themselves, raise the value of production but which would not take place when the costs of the necessary transactions exceeded the gain in the value of production that would result. Such reallocations of factors can also, of course, be brought about by government regulation. Now government regulation also has costs — and government regulators may have other ends in mind than raising the value of production. But the opportunity is there for government regulation to improve on the market. In my Social Cost paper, I said: "direct government regulation will not necessarily give better results than leaving the problem to be solved by the market or the firm. But equally there is no reason why, on occasion, such governmental administrative regulation should not lead to an improvement in economic efficiency."

My puzzle is to explain why these occasions seem to be so rare, if not nonexistent. One explanation would be that these studies happen to have involved cases in which there was a failure of government regulation and that further investigation will uncover many examples of success. But it is hard to feel much confidence in this explanation — the studies have been so numerous and their range so extensive and some of the cases of failure are found where one might have expected success, for example, the control of monopoly, the regulation of drugs or labelling, and zoning. Another explanation would be that this is the way of the world — that the costs of government are always greater than they would be for the market transactions that would accomplish the same result. But I regard this as unplausible.

JUGGERNAUT

I have come to the conclusion that the most probable reason why we obtain these results is that the government is attempting to do too much — *that it operates on such a gigantic scale* that it has reached the stage at which, for many of its activities (as economists would say) the marginal product is negative. We would expect to reach this stage if the size of an organization were allowed to expand indefinitely. I suspect that this is exactly what has happened. If further studies confirm that this really is the situation (and I suspect they will), the condition is one which can only be cured by a reduction of government activity in the economic sphere. This will not be easy to achieve since it runs counter to prevailing attitudes. Oddly enough, the finding that many governmental activities do more harm than good is likely to be received sympathetically. It is common enough to read an article or the account of a speech of which the first part consists of a denunciation of the inefficiency and corruption to be found in the administration of some government program — but this is often followed by a second part which draws our attention to some pressing social problem coupled with the proposal that the government set up a new program or agency or expand an old one to deal with this problem. To ignore the government's poor performance of its present duties when deciding on whether it should or should not take on new duties is obviously wrong (old duties were once, in the main, new duties). But the sanguine view of what the government will accomplish induced by this way of thinking tends to lead to an ever expanding role for the government in economic affairs (and has done so). If I am right that the attempt to carry out these new activities leads to the government performing worse those that it is already undertaking, the continued expansion of the government's role will inevitably lead us to a situation in which most government activities result in more harm than good. My surmise is that we have reached this stage.

PROBLEM SIMPLIFIED

This makes an economist's task in one respect easy and in another difficult. It becomes easy because at the present time the advice that has to be given is that all government activities should be curtailed. Our task is made more difficult because our experience with the present over-expanded governmental machine may not give us much indication of what tasks the government should undertake when the sphere of government has been reduced to a more appropriate size. But perhaps I exaggerate the difficulty. The move to a smaller government is hardly likely to be swift — and we will gradually be able to accumulate the information needed to discover what functions should be left to the government.

But all this assumes that the investigations of economists will, as Professor Stigler claims, in the end have a decisive influence on public policy. Whether the economist will be more successful in limiting the role of government than he has been in policies directly concerned with the operation of markets and the pricing system remains to be seen. But as I have indicated, even a modest success is not to be despised. ◻

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PROTECT YOUR FAMILY AGAINST THE GROWING CHANCES OF A PROLONGED FOOD SHORTAGE WITH LOW COST "FOOD INSURANCE"

We have already experienced meat, wheat, bread, and other food shortages, power blackouts, fuel crises, and severe inflation.

Much of our food is shipped to Russia and other countries, while our own food prices sky-rocket. Farmers have killed newly hatched chickens, and reduced beef and other meat production as feed became too expensive due to the "sale" to the Soviet Union. A huge U.S. food sale to Red China in 1973 almost depleted our domestic granaries, and committed much of our future crops to the Communist Chinese.

Meanwhile, the Secretary of Agriculture assured us that food rationing is unlikely. Could anyone foresee the need for such "assurances" in 1972? Who expected such conditions of this dangerous magnitude so soon?

In view of deteriorating U.S. military, economic, and political conditions, this country may face a catastrophic crisis in the near future. With nothing effective being done to alter the trend, matters may get much worse before there is a reversal.

As a measure of insurance, it is time to stock up on gold coins (if you have not done so already), plus a food supply which can be used either in an emergency, or for everyday meals if nothing adverse occurs. With inflation and shortages, such supplies become more and more costly.

Grocery store foods are not designed for long storage, and lose freshness, taste, and nutritional content too quickly for emergency supply use.

The drying method used for thousands of years for food preservation is also not fully satisfactory, producing less appealing foods without preserving sufficient food value for the necessary lengths of time.

To fill the need, "Low-Moisture" methods were developed over 20 years ago. Their value in providing nutritious and attractive meals has been well proven.

New developments in this field have further improved these products. Low moisture foods were used by the climbers of Mt. Everest and by our astronauts. Low moisture foods are practical and easy to prepare for normal everyday consumption. Yet most items can last up to 15 years or longer without refrigeration, with as much as a 75% weight and space reduction (compared to grocery store items). A one year supply can easily be stored in a home or garage.

Our processor has over 20 years of experience in providing balanced low moisture foods which excel in nutrient, vitamin, and mineral content, as well as taste. The low moisture methods used to achieve this require greater effort than the usual processes, but the results – in taste, nutrition, longevity, bulk, and weight – are worth it. Moreover, the cost to the consumer is surprisingly low. Fully adequate, appealing meals are provided at as little as 50¢ each.

These results are achieved by: 1) dehydrating the food; 2) packing it in internally enamelled cans (of which 118 are #10-size cans – slightly less than a gallon, and 8 are #3-size – about 1½ quarts); 3) air is removed from the cans, and replaced with an oxygen-free atmosphere before sealing the cans (opening a sealed can will not cause spoilage for several months, allowing full use of the contents); 4) the cans are packed in cartons, 7-3/8" by 12-3/4" by 18-3/4" dimensions. 20 such cartons weigh about 600 pounds and occupy about 2/3 of a cubic yard.

The 12 months supply will provide for 1 adult at 2,450 calories per day. It is designed for either individual or family use. It can feed 2 adults for 6 months, and for a family of six (two adults and four children) for at least 2 months – depending on personal consumption.

The expertly designed Ready-Reserve supply eliminates guess work on what to store. This is of utmost importance to health, especially if a food crisis lasts longer than a few days. Included are fruits, vegetables, eggs, cheese, milk, grains, sugars, proteins, cooking aids, and a wide variety of ideas and suggestions for best use of your supply. These foods may be in your everyday menu, while enough are kept in reserve to insure against a food crisis. We can replenish your supply as it is consumed.

Cost of the yearly supply is $575 plus shipping charges (varying between $20 and $80 depending on location). This is a bargain even without a food crisis. Thus the Ready-Reserve supply serves as a hedge against burgeoning prices, at the least. But in a food crisis it can be vital for sheer survival.

Because of worsening inflation, you can expect further price increases in the future. We urge you not to delay purchasing "food insurance," as the politicians aren't likely to make things better for the consumer.

If you order within 2 weeks of reading this notice, you will receive, free of charge, two important books: Passport to Survival, and Famous Mormon Recipes.

WATER PURIFICATION SUPPLIES: A unique water purifier, reviewed and recommended by reputable consumer magazines, which purifies up to 1500 gallons, available for $35 (regularly retails at $39.95). Shipping included in price. Water purification supplies sold only to purchasers of food supplies.

IMPORTANT NOTICE: Many persons wanting food insurance have asked if our supplies can be obtained on a time payment basis. Nevada Coin Exchange does not encourage customers to become more in debt. But food is more vital for survival than any other item. Therefore we have made arrangements with Master Charge and BankAmericard to enable time payments (or cash payouts) for purchases from us. If you wish to use this service, please fill in your Master Charge or BankAmericard number on the order form.

COIN INVESTMENTS: Our emphasis here on food is not intended to downgrade the importance of gold and silver coins. The dollar can be expected to go the way of the German Mark in 1923. Worsening monetary conditions are probably coming, and it is not too late to begin or enlarge a supply of real money – gold and silver coins, which may be purchased through our subsidiary company, Nevada Coin Exchange.

All U.S. gold coins in uncirculated condition. All foreign gold coins in extra fine to uncirculated condition. Other gold coins available. Also circulated and uncirculated silver dollars and other silver coins.

FULL GUARANTEE: If unsatisfied, U.S. customers may return coins and/or food ordered to Carson Development Corporation within ten days for a complete refund to purchase price and shipping charges.

COMPARE OUR SUPPLY WITH ANY OTHER.

Our newly augmented yearly supply includes: (all cans #10 unless indicated)

FRUITS: After reconstitution with water, the equivalent of 103 lbs. of fresh fruits — including apples, peaches, and a fruit galaxy of grapes, apricots, and cherries — providing 521 of 3 ounce servings. 6 cans.

VEGETABLES: After reconstitution, the same as 268 lbs. of fresh vegetables — including carrots, green beans, sweet corn, tomatoes, cabbage, potatoes, and peas — providing 500 of 4 ounce servings. 12 cans.

CONCENTRATED VEGETABLE PROTEIN: This provides a meat substitute, equal to the protein content of 100 lbs. of lean, fresh meat. Also 186 servings of bacon-flavored bits — excellent tasting. 12 cans.

GRAINS: Sufficient flour (or unground whole wheat) to provide 250 lbs. of rich wholesome bread, or any other wheat items. Also, 228 of 4 ounce servings of pinto beans; 84 of 4 ounce servings of quick cooking oats; 116 of 4 ounce servings of elbow macaroni; 96 of 4 ounce servings of yellow cornmeal and 279 of 4 ounce servings of rice. 42 cans.

EGGS: 384 eggs (32 dozen) in powdered form — more than one egg per day for a year. 4 cans.

CHEESE: 128 of one ounce servings of cheese. 1 can.

SUGAR: 18 lbs. of granulated sugar. 5 lbs. of brown sugar. Sufficient for normal use of one year. 4 cans.

GELATIN DESSERT: 256 of 4 ounce servings of gelatin dessert. 2 cans.

BREAKFAST DRINK: 384 of 5 ounce servings of grape, grapefruit, orange, or pineapple drinks. 3 cans.

SHORTENING: 39 pounds. 12 cans.

MARGARINE: 20 pounds. 6 cans.

SUPPLEMENTS: Cornstarch sufficient for 96 pounds of pies, or other uses; minced onions to provide 384 one ounce servings; beef bouillon for 218 servings of 6 fluid ounces; chicken and beef-flavored gravies for 384 of 2 ounce servings; sufficient iodized salt and non-dairy creamer; adequate baking powder and yeast. 10 cans — 2 #10, and 8 #3.

TOTAL: 118 #10 cans, 8 #3 cans. Packed in 20 cartons. (NOTE: None of the items listed here require special care of refrigeration for long shelf life. However, yeast and baking powder will stay fresh longer if kept in cold storage.)

ALSO AVAILABLE: A 5 month Ready-Reserve supply providing all necessary items for a 5 month period. The supply comes in 8 cases and weighs 220 pounds. Cost is $290 plus between $20 and $50 shipping charges. The variety and quantity is smaller than for the yearly supply, but fully adequate nourishment is included for 5 months. Trial-Pak available for $5.

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Bureaucratic Conspiracy and the Energy Crisis

P C ROBERTS & N VAN COTT

The story is told in the Old Testament of the Bible how the Pharoh in Egypt had a dream wherein 7 lean calves consumed 7 fat calves. This dream was followed by another in which 7 blighted ears of grain ate 7 succulent ears of grain. A young Hebrew named Joseph explained to the Pharaoh that these dreams foretold 7 bountiful crop years to be followed by 7 years of famine. The Pharaoh accepted Joseph's interpretation and made him a bureaucrat whose function was to store grain during the years of plenty so that food would be available in the years of famine.

By providing extra grain for the bad years, Joseph caused the price of grain in those years to be lower than it would have been. However, by providing for the future Joseph caused the price of grain in the bountiful years to be higher than it would have been had he not been buying for future use a portion of the crop in each of the good years. Thus, Joseph's actions of providing for the future by allocating the grain through time reduced the amount of fluctuation in the price of grain. Joseph performed for the Pharaoh the function of a speculator.

Today there are many Josephs prophesying an energy famine and calling for the state to assume the function of a speculator by setting aside energy today for use in the future. In today's prophecy it is "greed" and "private property" that play the roles of the lean calves and blighted grain in endangering the future. But the analogy has been misplaced. In fact, greed and private property play the role of Joseph, assuring a proper allocation of energy supplies through time.

In the 18th century the social function of greed in a modern society — a society based on individual liberty and private property — was well understood. In 1714 Bernard Mandeville wrote about *Private Vices, Public Benefits,* and in 1776 Adam Smith enshrined the concept in *The Wealth of Nations.* But these books are not read today and their wisdom is lost. Increasingly people look back to the social system of ancient Egypt and believe that only state bureaucrats can provide public benefits. If we repeal not only the 20th century but the 19th, the 18th, and all the centuries since Joseph's time and return to a system in which only state bureaucrats can provide public benefits, we will have transformed our form of social system into that of ancient Egypt. The bureaucracy is eager for this transformation, and their spokesmen say that it is necessary if there are to be adequate supplies for the future. Before we subordinate, in the name of the "public interest," our private interests to those of a Pharaoh and his bureaucracy, let us hear anew how private interests produce public benefits.

PRIVATE GREED

If energy resources become increasingly scarce, their prices will rise relative to other prices. This means that the selling of energy resources will become increasingly profitable as time proceeds. The greedy private owners will find that it is in their own interests to space out through time the extraction and sale of the energy resources. Thus does private greed play the role of Joseph, and thus do private interests coincide with public interests.

Those who claim that greed and private property threaten our future energy supplies frequently cite

as examples the near extinction of the buffalo and whale by "unbridled capitalism," the implication being that the future holds more of the same for our energy resources unless something is done by the state. The fact is, however, that the buffalo became nearly extinct because the herds were *not* private property, and the whale is threatened for the same reason today. Whales are (and buffalo were) what is called a *common property resource,* which means that no one has enforceable private ownership rights. Thus, no one has any economic motivation to insure the future availability of common property resources, and present profits become the only criterion that determines the rate at which such resources are harvested. If whales were private property, future profits would be considered, and whales would no more face extinction than do cattle, pigs, and sheep.

To the extent that ownership rights in oil are similar to those in buffalos and whales – that is, governed by "the rule of capture" – different landowners extracting oil from a common pool will behave as did buffalo hunters. But this is not because the oil pool itself is privately owned, but because it is not. Under "the rule of capture," the oil becomes private property only when it is extracted – that is, captured like the buffalo. Thus to the extent that future oil supply is threatened, it is a reflection of defective rules of ownership as defined by the state.

Even with a defective rule of ownership, if the price of oil were expected to rise through time relative to other prices, it would be profitable for either adjoining landowners over a common pool to form a single company or for someone to buy up all the land over the oil pool, thus transforming the pool into private property. Once the oil is private property, the greedy private owner can be expected to maximize his income over time. That is, he will not extract all the oil in the present if he expects the price of oil to be higher in the future. Nor will he live in penury in the present for the sake of larger profits in the future. Even if the private owner prefers present income to future income, he would maximize his income by selling his rights to the oil rather than by increasing the rate of extraction. By selling the pool he can capture some of the higher future profits that are expected to result from a rising price of oil, but by increasing the rate of extraction, he may drive down the present price, thus lowering his income.

"Very well," someone might say, "but private greed is nevertheless unpleasant, and you have shown that it does only as good as Joseph. Is it not better to serve the public interest directly rather than as an indirect consequence of serving private interests?"

There are two assumptions implicit in this question that are false. Joseph was looked on with favor by God, *who helped him,* so presumably Joseph was serving God's interest directly and the public interest indirectly as a consequence. There is no evidence that God helps present-day bureaucrats or that they further the public interest as a consequence of serving God. Thus, we can neither expect present-day bureaucrats to perform as well as Joseph nor expect their interests to coincide with the public interest.

"Allowing market forces to determine the allocation of a commodity at a point in time does not increase the demand for bureaucrats."

BUREAUCRATIC GREED

Indeed, not only have the bureaucrats performed badly, they have performed so badly that the energy famine and their proposals for dealing with it can only be understood in terms of the self-interest of bureaucrats. Reasoned books have been written about *"private vices, public benefits,"* so there is a rational basis for assuming a coincidence between private and public interests. But no book has ever been written about *"bureaucratic vices, public benefits."* The basis for assuming that the interests of bureaucrats coincide with the public interest is an act of faith.

It is possible to test for coincidence between bureaucratic and public interests by examining the implications of the bureaucrats' proposals for dealing with the energy famine. Bureaucrats have proposed price controls, "excess-profit" taxes, rationing, increased regulation, and nationalization. Such proposals are blighted grain and lean calves, and do not insure the future availability of energy. Since price controls hold down the price at which consumers can buy, people have no economic incentive to economize on their use of energy. Thus, the demand for energy is greater than it would be in the absence of price controls. Economic science is based on the law of demand which states unequivocally that the lower the price, the greater the quantity demanded. Similarly, price controls have pernicious effects on the supply side. The lower the price, the lower the profits, and the lower the incentive to supply energy and develop new sources.

"Excess-profit" taxes allow the bureaucracy to appropriate the profits that rise through time as energy resources become increasingly scarce. Such an expropriation of the profits of the producers confiscates their private property and eliminates the incentive that insures the future availability of energy. Talk about nationalization has the same negative effect of discouraging oil companies from investing now in anticipation of future profits.

It is difficult to argue that such proposals serve the public interest and assure a proper allocation of energy resources through time. But it is apparent that the bureaucrats' proposals coincide with the self-interest of the bureaucracy. Put simply, allowing market forces to determine the allocation of a commodity at a point in time and through time does not increase the demand for bureaucrats. However, the proposals of the bureaucrats – price controls, "excess-profit" taxes, additional regulation, nationalization – all serve to increase the demand for bureaucrats.

The bureaucracy must grow if price controls are to be enforced. When shortages result from price controls, the bureaucracy must grow further to ration the commodities for which there are excess demands at the fixed prices. When the incentives that lead to a proper allocation of resources through time are damaged, it is the bureaucracy that provides the production schedules that are forced on suppliers. When the incentives for further exploration for energy resources are destroyed, it is the bureaucracy that staffs a nationalized oil industry.

The lack of coincidence between bureaucratic and public interests is further illustrated by the fact that bureaucratic nests are so heavily feathered by an energy famine that the bureaucracy has a great incentive to cause one. And indeed it *did,* whether consciously or inadvertently. The Federal Government pushed us every step into the famine.

WHAT HAPPENED

It began in 1938, with a law regulating gas pipeline companies, a law that the Supreme Court reinterpreted in 1954 to apply also to natural gas producers. Thus the price of natural gas was held down by regulation. This caused known supplies to be used at a greater rate and reduced the profit incentive for suppliers to look for future supplies. Exploration for natural gas declined and less was found. This meant oil had to supply a larger percentage of the total demand for energy. In 1969 the depletion allowances were reduced which reduced the accustomed profitability of the oil industry. All of this time the demand for oil was increasing as more people heated more homes and drove more cars further distances. All of this time the oil industry managed to increase supply to match the rising demand and maintain a constant price. Then the bureaucrats in the Environmental Protection Agency struck with interventions that caused an increase in the rate at which demand was rising through time and a decrease in the rate at which supply was increasing. At the same time that more gasoline was required to travel the same miles as a result of exhaust emission controls on cars, the construction of new oil refineries was delayed and blocked. With demands rising more rapidly than supplies, an upward pressure was put on price. but with price controls in effect, price could not adjust upward, so an excess demand at the controlled price – a shortage – resulted.

To top it off – according to recent testimony by G. E. Schuler, vice president of Bunker-Hunt Oil Company, before a Senate subcommittee – in 1971 State Department bureaucrats weakened the bargaining power of U.S. oil companies in their negotiations with the Arabs by letting it be known that the oil companies were without the support of the U.S. Government. Perhaps these particular bureaucrats were educated at Harvard, or some other prestigous university, where they learned that the U.S. was a neo-colonialist power which exploited the undeveloped "Third World," and perhaps they felt morally compelled to side with Arab interests against American interests. Whatever their motives, the effect of their actions was to further the energy famine, and that, as we have seen, is in the interest of bureaucrats.

"Bureaucratic nests are so heavily feathered by an energy famine that the bureaucracy has a great incentive to cause one."

There are two conclusions that could be drawn. One is that the bureaucracy is economically illiterate and incompetent, and therefore its attempts to further the public interest are so destructive of the public interest that it should be prevented from doing anything. The other is that the bureaucracy consistently acts in its own interest, an interest that does not coincide with the public interest, and for this reason it should be prevented from doing anything. We should note that the bureaucracy's performance seems incompetent only if we assume that it is striving to act in the public interest. Once we assume it is acting in its own interest, its actions appear rational.

The January 10, 1974, press conference at which Secretary of State Kissinger and (then) Federal Energy Administrator Simon discussed the energy crisis supports the interpretation that the crisis, whether consciously or inadvertently induced by the bureaucracy, is being consciously used by the bureaucracy to further its expansion. Simon speaks of the need for a new agency in government that brings together all aspects of energy "under one roof, so that we can more effectively deal with the problem." "A new government relationship must be forged with the energy industries." "We have to get about a Manhattan-type project." "We are going to have to take a brand new look at what the government role is to be in our energy industry."

"There is a conspiracy, but it is a conspiracy of bureaucrats."

The final cat is let out of the bag by Kissinger, and it is indeed ominous: "We have started, within our government, a study of what may happen with respect to other commodities over the next ten years. And if our conclusions should lead us to the view that [other shortages] could arise, we hope to make proposals at an early time."

There *is* a conspiracy, but it is a conspiracy of bureaucrats, a conspiracy that is unwittingly protected by the naive world-view of liberals who believe that all good follows from public actions and all evil from private actions. The liberal is an easy dupe of the bureaucrat, because the liberal's outlook is highly simplified: on the one hand he sees the public interest, identified with big government, self-evident and beyond questioning by an upright person; on the other hand he sees private interests, selfish, sinister and illegitimate. As a result of the pervasiveness of this outlook, the public learns in schools, colleges, universities, and from the news media to be suspicious of the private businessman and to look with favor upon government interventions as acts in the public interest. We expect that the informal inculcation of this attitude will soon become official educational policy in the U.S., just as it is today in Sweden — a country totally ruled by bureaucracy. ◻

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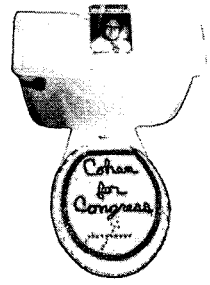
COMING NEXT MONTH:

In an excerpt from his forthcoming Arlington House book, REASON Senior Editor Tibor Machan discusses psychologist B. F. Skinner and the impact of his views on the social sciences and humanities. In the same issue Robert Crim offers practical advice to the beginning numismatist in "Collect Coins for Profits." Crim discusses coin grading, spotting forgeries, picking a trustworthy dealer, etc. — all with special reference to U. S. gold coins.

Other features of the January issue will include the first report of our foreign correspondent from Mexico, a special post-election report on the fate of libertarian candidates, J. J. Pierce's Science Fiction column, Murray Rothbard's Viewpoint, and all of REASON's regular columns and features.



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book review

Reviewed by DON ERIK FRANZEN

CITADEL, MARKET AND ALTAR. By Spencer Heath. Heather Foundation, P.O. Box 48, San Pedro, CA 90733, 1957, 284 pp., $6.00.

Spencer Heath was as unique and versatile in the ideas he entertained as in the life he led. Engineer, lawyer, businessman, horticulturist, philosopher and poet, he enjoyed less acclaim during his lifetime for his discoveries in the realm of ideas than for his accomplishments in the development of the early aviation industry. Like many original thinkers, Heath has had to defer to the judgment of time and await a posthumous vindication. Now, a decade after his death, his writing speaks to us with special relevance in its unparalleled effort to surmount the *cul de sacs* of contemporary social thinking and point the way to a free and solvent community life.

Citadel, Market and Altar, first published in 1957, is the summit of Heath's work and the culmination of his 25 years of independent research in the realm of social phenomena. The title symbolizes three major functions which must be accommodated by the institutional arrangements of any viable society. The *Citadel* offers protection from violence and theft, permitting mankind to advance their material well-being through the operations of the *Market* to such point as they are able to devote their energies to the spiritual pursuits of the *Altar* – art, religion or any activity pursued solely for its own sake. To discover how best to ensure protection and facilitate exchange, in order to achieve the greatest possible release of human energy to creative artistry, was the overriding goal of Heath's work.

Citadel, Market and Altar addresses itself to the paramount problem of understanding the rationale of social process and integrating this knowledge within the theoretical framework of the natural sciences. Heath's analysis of the market system, founded on analogy with biology and physics, is among the most original I have encountered.

High among his accomplishments is the redemption of a word long lost to the opponents of freedom: consistent with the successful operation of spontaneous organization wherever found in nature, *social* processes are not any of the collisional interactions among individuals but are those processes, characterized by voluntary and reciprocal exchange, through which the human life-form is carried upward to qualitatively higher energy levels. Of particular note is the extent to which Heath moves beyond a merely static conception of society. It was his aim in *Citadel, Market and Altar* to predict the direction in which the operations of society must further evolve if the parts of the "societal life form" shall articulate in complete harmony. "The Mecca of the economist is Economic Biology," said Alfred Marshall. It was Heath's Mecca as well.

Set within the context of his synoptic view of market operations, Spencer Heath's explication of the social function of property in land takes on a breadth of meaning seldom encountered in the land debates which have been continuous from the time of Adam Smith. Reversing the orientation of classical economics, Heath demonstrates that property in land, far from being the Achilles' heel, is in fact the foundation of society's successful operation. In answer to the classical critics of landownership, he provides a noteworthy analysis of the social service rendered by landowners in their capacity as distributors of the community's sites and resources. To quote Murray Rothbard: "I do not know anyone who has brought out the productivity of land owners as clearly as Mr. Spencer Heath." [*Man, Economy and State,* p. 929]

ROLE OF LANDOWNER

Having vindicated private property in land, Heath proceeds to his forecast of the trend of social evolution. An historical and functional analysis of community organization leads to the discovery that the social role to which the landowner is ultimately and uniquely well suited is that of *community administration.* Land values are shown to vary directly with the quantity and quality of "public goods and services" – such as roads, utilities, fire and police protection – conferred on land sites. The value of such services, net of any disservices coincidentally supplied by the political authority, is directly reflected in competitively determined ground rents. The landowner, therefore, is in a unique position to *monitor* the social value of public services as measured in ground rents, precisely as the entrepreneur, through their price behavior, monitors the relative values of other goods and services. Moreover, it is in his *interest* to ensure that such services are supplied; the penalty for dereliction is declining rents. As landowners gradually become aware of their stake in the effective provision of public services, Heath foresaw the emergence of corporate enterprises that would undertake the provision of such services in exchange for competitively determined recompense by leaseholders. Services that such organizations could promote would include fire protection and security systems, maintenance of public highways and utilities, and the service of fostering the productive use of sites and resources in general through some degree of land use planning – a service that municipalities have attempted to provide, with uneven results, through political devices such as zoning.

These *proprietary communities* are for Heath the viable alternative to the waste and abuses of political systems. In terms of social evolution, they represent the culmination of human advance from status to contract. Whether Heath's prediction that the emergence of the proprietary community portends the eventual absorption of the Citadel into the Market proves to be true or not, it is sufficient justification of his work that he has directed our attention to an unexplored area of the market that offers hope of remedy for the acknowledged failures of political government.

Citadel, Market and Altar's trilogistic development of the proprietary community theme from the standpoints, respectively, of science, practical technology, and philosophy, permit the book to be approached as a collection of diverse essays or as a unified treatise, as the reader wishes. However approached, the book will generously reward the reader with novel insights into the operation and potential of the market economy. Above all, *Citadel, Market and Altar* treats us to the expansive vision of a man who consciously strove to unify the falsely dichotomized worlds of esthetics and science in his effort to delineate the trend of mankind's advance toward a world in which the human spirit may be more fully realized. ◻

Don Erik Franzen studied philosophy at the University of Southern California, from which he graduated in 1972. He has since compiled and edited a book on the social philosophy of Spencer Heath based on Heath's unpublished literary estate under a fellowship from the Institute for Humane Studies. He is currently a third-year student at the University of Southern California School of Law.

trends

DECONTROLLING ENERGY

Liberals are embarrassingly split these days on the subject of energy pricing. On the one hand are environmentalists and other elitists who favor slowing energy growth and see higher prices as a means to that end. On the other hand are populists like Sen. Henry Jackson and some consumerists, who see red at the very mention of higher energy prices and "windfall profits." Recent months have witnessed increasing confrontation between these two viewpoints.

Early in the summer the Ford Foundation released an econometric study on energy growth projections, claiming that the U.S. can – and should – achieve an energy growth rate of 1.7 percent per year between 1975 and 2000, compared with the historic 3.4 percent rate. The study's authors point out that the historic energy growth rate reflects the artificially low prices of energy over the past 20 years, held down by FPC regulation of natural gas prices, government subsidy of energy R and D, public utility regulation of electricity rates, etc. In real dollar terms, the price of electricity has dropped 43 percent over the past 20 years. Consequently, energy users have become increasingly wasteful, as is anyone else faced with a cheap, abundant commodity. Yet according to the econometric model developed for Ford by Data Resources, Inc., price is a much more effective way to curb energy demand than previously thought. Hence, a good way to spur energy conservation measures is to allow prices to rise to free market levels.

Many voices are being raised to urge just that, for both oil and natural gas. An American Enterprise Institute study by Robert B. Helms has called for complete deregulation of natural gas pricing. The FPC itself has recently increased the price for "new" (post-1972) gas to 42 cents per thousand cubic feet (mcf) from the old range of 20 to 34 cents, but this is still far below the $1.25 per mcf that unregulated intrastate gas (about half of the total gas) is going for. And the FPC has yet to budge on the price of "old" (pre-1973) gas, which accounts for the majority of interstate sales.

A similar situation prevails with "old" and "new" oil. Unregulated "new" oil (post-1972) is selling for $10-10.50 per barrel, while price-controlled "old" oil (about 60 percent of the total) goes for $5.25. Naturally, this kind of price differential encourages producers to leave old wells alone and expend great sums drilling new ones, including offshore wells. Just this anomaly recently led the California Coastline Commission, which opposes offshore drilling, to urge deregulation of oil prices. Many independent oil refiners are also urging deregulation of old oil prices, since the bulk of the old oil supplies are controlled by the major oil companies; as a result, gasoline produced by many independents today sells for more than that of the majors. Treasury Secretary William Simon, formerly head of the Federal Energy Office, is the leading government advocate of complete deregulation, removing both price controls and the oil allocation program.

All of this is too much for the populist liberals. Sen. Jackson complains that the Administration advisers "are still committed to the 19th-Century notion of limiting demand by raising prices," and Lee White of the Consumer Federation of America states that, "With petroleum prices at an astounding level . . . I'm dumbfounded that anyone even mentions decontrol." Yet the free market forces seem to have the upper hand, at present. The man responsible for planning oil decontrol and deallocation, Assistant Treasury Secretary Gerald Parsky, states flatly: "Everyone agrees that we should get rid of price and allocation regulations; the only question now is how to do it." Parsky's optimism may be premature, but we hope he turns out to be right.

SOURCES:

- "How Much Energy Does the U.S. Need?" Stephen B. Shepard, *Business Week*, June 1, 1974, p. 69.
- "Study Urges Freeing Gas," UPI (Washington), Aug. 8, 1974.
- "FPC Grants Hefty Hike in Natural Gas Rates," *Los Angeles Times,* June 22, 1974.
- "Coastal Commissions Suggest Lifting of Price Controls on Oil," *Santa Barbara News-Press,* Sept. 11, 1974.
- "Moving Cautiously to Decontrol Oil," *Business Week,* August 31, 1974.
- "The Slippery Job of Decontrolling Oil," *Business Week*, Sept. 7, 1974.
- "Simon Urges Steps to End Price Curbs on Oil, Natural Gas," *Los Angeles Times,* Sept. 11, 1974.

KEEPING THE LIGHTS ON

It is simultaneously ominous and heartening to report the emergence of private, voluntary organizations in England devoted to maintaining essential services in the face of militant, nationwide strikes. Ominous, because it indicates how close to breaking down England has come, via ever-increasing government interventionism; yet heartening, in illustrating that there are still people in that country who are unwilling to give up completely to statism.

Two organizations have thus far come to light, both headed by retired military officers and therefore dubbed "private armies" by the press. Great Britain 75 is the creation of Col. David Stirling, creator of the British equivalent of the Green Berets. Stirling's concept is for GB 75 to enlist engineers, computer experts, scientists, technicians, helicopter pilots, truck drivers, and other specialists. In the event of a crippling strike, they would cross picket lines to bring supplies and specialists to struck plants. GB 75's top priority is to keep electricity being produced. The other, similar group, variously reported as "Unison" or "Civil Assistance," was founded by Sir Walter Walker, former NATO commander in chief for northern Europe. Walker hopes to enlist up to 3 million people, and reportedly has some 100,000 supporters already.

Against Great Britain's background of strikes, bombings, unemployment, bureaucracy, and a 20 percent rate of inflation, the formation of volunteer groups to keep the lights burning seems prudent – and perhaps a preview of what may be needed elsewhere.

SOURCES:

- "Plan Leaked for Private British Army," Tom Lambert, *Los Angeles Times,* Aug. 23, 1974.
- "Can Democracy Survive Inflation?" James Reston, New York Times News Service, Aug. 30, 1974.
- *National Review Bulletin,* Sept. 20, 1974, p. B137.

WHAT PRICE ZONING?

The concept of externalities has been used by some economists to justify the use of police power to restrict the uses to which urban property may be put. The argument rests on the commonsensical notion that certain types of land use (e.g., boiler factories) can result in harmful external effects on neighboring properties. Thus, the argument is made for setting up in advance a system of laws (zoning) to prohibit supposedly incompatible uses. But "common sense" is not always a reliable basis for laws, especially where the laws involve a form of prior restraint that strikes deeply at the concept of property rights. Hence, the importance of the first empirical study of the alleged externalities covered by a municipal zoning ordinance.

Frederick H. Rueter studied the municipal zoning ordinance of Pittsburgh,

Pennsylvania. Reasoning that the specific prohibitions codified in the ordinance must define the types of externality being guarded against, he set out to determine the relationship between the market value of a given piece of property and the degree to which 53 factors such as those specified or implied in the ordinance were present on adjacent properties. (Most of Pittsburgh's land uses were established prior to the passage of the ordinance.) Using a mass of data from 12 residential zoning districts, Rueter set up a regression analysis to estimate the predicted relationships.

The results were striking. In a large fraction of the cases, factors presumed to be external *diseconomies* turned up as external *economies* – i.e., exerting a positive value on adjoining property values, rather than a negative one. These results often differed between similar zoning districts, suggesting that, in fact, they are random effects. Rueter concludes that "there is much more independence from external diseconomies in urban property markets than the zoning ordinance anticipates." And, "the value of residential property seems to be affected much more significantly by the attributes of the improvements to that property and by aggregate economic conditions than it is by any features of the neighborhood which have been tested here."

Rueter points out that gross diseconomies (like boiler factories) are prevented by economic factors – it simply makes no sense to locate a factory in a residential neighborhood. But politicians can use the fear of such diseconomies to justify setting up a land use control bureaucracy that is an endless source of political power. Analyses like Rueter's expose these spurious excuses for restricting property rights.

SOURCE:

- "Externalities in Urban Property Markets: An Empirical Test of the Zoning Ordinance of Pittsburgh," Frederick H. Rueter, *Journal of Law and Economics,* Vol. XVI (2), Oct. 1973, p. 313.

FREEDOM TO ADVERTISE

The self-serving anti-advertising rhetoric of two professions – pharmacy and law – is crumbling with increasing speed. Consumer groups, government agencies, and media organizations are all taking part in a series of actions to repeal laws which prohibit advertising in the name of professional ethics, protection of consumers, and other spurious grounds.

The action is greatest in the pharmacy area. Some 20 states still have laws banning pharmacies from advertising prices of prescription drugs or posting price lists in stores, but the laws are toppling one by one. Last year the Pennsylvania Supreme Court ruled that state's anti-advertising law unconstitutional; in January the Wisconsin Supreme Court threw out that state's anti-advertising law; in March a U.S. District Court ruled Virginia's law unconstitutional; and in May a Denver District Court judge did the same with Colorado's anti-advertising law. In Connecticut the legislature has made it legal for druggists to post price lists, and is now considering a bill to allow full drug advertising. And in California a coalition including consumer groups, the California Newspaper Publishers Association, and the California Broadcasters Association has filed suit challenging the constitutionality of the sections of the Business and Professions Code which make advertising and discounting drugs misdemeanors. The suit claims that Pennsylvania residents pay an average of 38 percent less for prescription drugs than Californians, due to the absence of advertising in California.

In Washington, both the Justice Department and the Federal Trade Commission have spoken out in favor of advertising and against the state laws. The FTC is investigating the retail drug industry for "deceptive or unfair acts in connection with the disclosure or nondisclosure of price information." If all states permitted drug advertising, the FTC estimates that consumers would save $1 billion per year in drug costs.

Lawyers, too, are beginning to feel the heat. The Justice Department has suggested that bar associations (which are sanctioned by force of law) consider eliminating from their codes of ethics prohibitions on advertising and solicitation of clients. Joe Simms, special assistant to the head of the Antitrust Division, says that advertising of legal services, including fee levels, would promote competition and could lead to lower prices. "It may well be . . . essential to reevaluate existing constraints on competition in the legal profession and test them against the standards universally applied . . . to the marketplace," Simms said in a recent speech to the New York Bar Association. "The consumers of legal services are just as entitled to the benefits of competition . . . as are the consumers of other services."

SOURCES:

- "Retail Drug Pricing," *Business Week,* June 1, 1974, p. 34.
- "Prescription Drug Advertising Barriers Apparently Falling," Brian Sullivan, *Santa Barbara News-Press,* June 26, 1974.
- "Consumer Groups File Suit to Legalize Prescription Drug Ads," Myrna Oliva, *Los Angeles Times,* June 26, 1974.
- "Freedom for Lawyers to Advertise Proposed by Official," Linda Mathews, *Los Angeles Times,* August 22, 1974.

MILESTONES

- *Vitamins.* The FDA's attempt to regulate high-strength vitamin supplements as drugs has been voted down by the Senate, 81 to 10. House action this session on a similar bill is uncertain as of this writing. The Senate bill, sponsored by Sen. William Proxmire, would prevent the FDA from classing as drugs all vitamins of greater potency than 150 percent of the recommended daily allowance (RDA). The FDA plan had been scheduled to go into effect on January 1, 1974, but has been delayed by a Federal Court injunction until July 1, 1975. Congress has received over a million letters opposing the FDA's plan. (Source: "Senate Votes Bar on FDA Regulation of Some Vitamins," *Wall Street Journal,* Sept. 25, 1974)
- *Communications.* The General Accounting Office has recommended an experiment to test the feasibility and potential benefits of *renting* a portion of the radio frequency spectrum. The idea, of course, is that pricing of scarce resources such as radio frequencies would promote more efficient use than the present bureaucratic allocation process. GAO recommended that the FCC proceed to institute a rental plan for the 2700 to 3700 megahertz band, which is allocated for radar and used mainly by the Federal Government. "The fiscal implications or administrative and technical practicalities of such an experiment should be explored if we are to make the most effective and efficient use" of the frequency spectrum, GAO concluded. (Source: *Industrial Communications,* No. 37, Sept. 20, 1974, p. 4)
- *Privacy* The FBI has been ordered by a federal court in Washington to remove from its computerized files the arrest records of those persons who were later exonerated of the charges. The ruling affects the FBI's massive National Crime Information Center (NCIC), a computer system to which most of the nation's police departments are linked by teletypewriter networks. The Court of Appeals for the District of Columbia ruled that the FBI can no longer act merely as a passive collector of information from police departments, because of their potential for harm as well as good. Rather, it must act to ensure that disposition information is supplied, and where not, to remove the records to prevent harming the innocent. It has been estimated that from 30 to 50 percent of the NCIC arrest records contain no disposition records. (Source: "FBI Must Erase Crime Records of Not Guilty," *COMPUTERWORLD,* May 1, 1974.)

This column reports trends in the advancement of individual liberty and the rediscovery of economic freedom. Readers are invited to submit material of potential interest.

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editorial

GOODBY AMA

There's a tendency on the part of the public to view physicians and surgeons in the United States as a reactionary group of greedy business people who are out to make a mint from others' misfortune and helplessness – hence the widespread public acceptance of various national health insurance schemes. When the average citizen hears that representatives of the American Medical Association have been called to testify before a Congressional committee, he has a vision of a group of staunch free market advocates defending the privacy of the individual doctor-patient relationship against the onslaught of various liberal do-gooders – if the citizen happens to be of a conservative bent he cheers for the AMA and if a liberal he cheers for the legislators. But in either case the citizen thinks that the testimony of organized medicine is always a reflexive "no" to any governmental health program.

The citizen is mistaken.

Far from being the poor, oppressed *victims* of the State, M.D.'s, through their major professional organization (the AMA), are major *supporters* of government intervention into the medical market place. In the past Congressional session, the AMA sponsored or supported over 26 pieces of legislation, all calling for *more* government intervention, not less.

For instance, the American Medical Association has testified many times over the years in favor of governmental financial assistance to medical schools, medical students, nurses, students, schools of public health, etc., and they repeated their testimony this summer, calling for *maximum* funding under the Comprehensive Health Manpower Training Act of 1971. Apparently the AMA not only wants to run a closed shop (since the law specifies that medical schools and their graduates must be AMA-certified in order to teach or practice medicine) but it wants the taxpayer to foot the bill! True, getting a medical education is expensive (most things in limited supply are expensive, and the requirement of AMA accreditation for medical schools assures a limited supply of schools) but once that education is obtained the new M.D. can expect to make $50,000 + per year. Perhaps the medical students could use *loans,* but they hardly need subsidies!

Another program the AMA supported was the Indian Health Care Improvement Act based on 25 specific recommendations the AMA House of Delegates adopted for improving the health of American Indians. It's unclear whether the Indians were consulted in the matter, but it *is* clear that the AMA's paternalism was hardly consistent with the private, voluntary physician-patient relationship the AMA is believed to espouse.

AMA paternalism is also in evidence in their support for an extension of the Comprehensive Alcohol Abuse and Alcoholism Prevention, Treatment and Rehabilitation Act, which calls for, in essence, taking one citizen's money in order to prevent another citizen from spending *his* money on booze. Along that same line, the AMA supported a three-year extension of the Drug Abuse Education Act, which aims to control and eliminate drug abuse through education about drugs. (Apparently they ignored evidence such as that presented by Consumers Union in their book *Licit and Illicit Drugs* which indicates that drug education programs serve to arouse curiosity about drugs and can actually result in increased drug use among those opposed to the program!)

Another program the AMA has supported is the Lead-Based Paint Poisoning Prevention Act, which aims to control the use of lead-based paint and thereby eliminate the hazards of poisoning, particularly of children. This Act had the apparently unforeseen effect of creating a shortage of low-cost housing in Philadelphia and elsewhere (since landlords couldn't afford to repaint), forcing rents up, even for poor people without small children (few adults need to be protected from the hazards resulting from eating paint).

The above, of course, are only some of the programs the AMA has supported which call for further government involvement in the health services field – others, such as the National Health Insurance/Medicredit program (which is designed to give every person in America under the age of 65 equal access to high quality health care regardless of their ability to pay) and the Hill-Burton Hospital Construction Program (which subsidizes the construction of tax-exempt hospitals and medical centers, and has resulted in a surplus of hospital beds but not a reduction of the cost of hospitalization) have already been criticized in REASON and elsewhere.

The point of the recitation of the "sins" of the AMA is not, however, to attack the physicians of this country, but rather to urge them to wake up to what they are supporting when they join and remain associated with the AMA or any similar statist group. The AMA is not the friend of M.D.'s who value their freedom – next to the government itself, the AMA is the worst enemy a freedom-loving doctor could have.

The AMA, by calling for subsidies for medical education, is calling for making doctors wards of the state – it's the height of naivete to think that a government that finances one's education is not going to demand something in return. *Individuals* aren't that altruistic and one can't really expect a collective to be, either! Subsidies mark the start of enslavement – it's that simple.

Plus, the AMA, by putting out free market sounding rhetoric praising private practice and the sanctity of the doctor-patient relationship at the same time that its representatives are in Washington urging bigger and better government health programs, serves to make all the doctors associated with it look like a bunch of money-grubbing hypocrites. It's no wonder doctors can generate little public support in their fight against socialized medicine!

Now, it's quite possible that the AMA does reflect in its actions as a corporate entity the will of its membership – if so, then the doctors of this country should face up to the fact that they are getting in the way of government coercion exactly what they asked for. It's tragic, but just.

On the other hand, perhaps the AMA's actions do *not* reflect the wishes of at least some of its members. Perhaps some AMA members are libertarian enough to believe that they and the State should leave each other strictly alone and that Big Brother should butt out of the doctor's office. *Perhaps those AMA members should get out of the AMA.*

The AMA (and other professional organizations that actively lobby for statist measures) exists because it has the at least tacit sanction of its members. And they in turn are colored by its image. This country is getting closer and closer to compulsory national health care – if any doctors care to resist enslavement *now* is the time to make a stand, and boycotting an organization that is working hand in glove with the enslavers is a good first step.

Boycott the AMA.

LYNN KINSKY

Davis E Keeler

GOLD CLAUSES

With the restoration of the right of American citizens to own gold, it would be well to consider the availability of "gold clauses" in contracts as a means of inflation protection.

A gold clause in a contract calls for payment in gold, gold coin, or its equivalent. This device was developed in the United States in response to the "Greenback inflation." Greenbacks were unbacked banknotes issued by the Union to finance the Civil War. By 1864, the greenbacks had declined to about one-third the value of gold dollars.

As a consequence of this phenomenon, a number of cases were brought. The best known of these, *The Legal Tender Cases,* were decided by the Supreme Court in 1884. In these cases the plaintiffs had challenged the authority of the Federal Government to issue notes unbacked by gold or silver and declare them "legal tender," that is, to declare that they must be accepted in payment of legal obligations. The principal contention of the challengers was that the provision of Article I, Section 10 of the Constitution, "No State shall . . . make any Thing but gold and silver Coin a Tender in Payment of Debts . . . , " applied as well to the Federal Government and prohibited the issuance of the unbacked notes.

While the Supreme Court held that the issuance of such notes was lawful, they had in an earlier case also held that a contract which called for payment in gold dollars, rather than banknotes, was enforceable. This ruling formed the basis for upholding the validity of "gold clause" contracts.

Gold clauses continued in use until the Roosevelt reforms of 1933, when gold ownership was outlawed and American citizens were required to turn in their gold coins. At this time gold clauses were declared unenforceable by Congress.

Various suits were brought to challenge these actions, but in 1935 the Supreme Court ruled, in *The Gold Clause Cases,* that the Government had had authority to invalidate these contract provisions.

This decision was by a Court split 5-4 and some of the language, which could be taken to mean that the parties had not actually suffered a loss, gave rise to the hope that the cause was not completely lost. However, in 1937, the Court made its position even clearer by refusing to enforce a contract which specified payment in a specific type of gold coin. A good overview of the legal history and related problems is Wormser and Kemmerer, "Restoring 'Gold Clauses' in Contracts," 60 *ABA Journal* 942 (1974).

With the legalization of gold ownership, the question naturally arises as to the availability of gold clause contracts to protect parties from the current round of inflation.

The "public policy" grounds allegedly present in 1933 no longer appear compelling. Whereas in those days it was claimed that the Government's constitutional power to "regulate the value" of money permitted regulation of what was then a prime monetary asset, the much-heralded decline in the official monetary role of gold should obviate that argument. It might also be argued that the widespread acceptance of cost-of-living and escalator clauses demonstrate that there is no "public policy" against contractual hedging against loss in the value of money.

There are, however, two possible "policy" barriers to overcome. It is possible that a contract which may call for repayment of substantially more dollars than were borrowed may run afoul of state usury laws. These laws already have become a serious obstacle to the use of higher nominal interest rates to offset inflation. There seems to be no clear precedent on this point and, in the absence of legislation (or, in some cases, amendment of state constitutions), there is the possibility of a need to await a state-by-state resolution through decisions of the various state supreme courts. A good discussion of the current status of usury laws is Bowsher, "Usury Laws: Harmful When Effective," *Bulletin,* Federal Reserve Bank of St. Louis, August 1974.

A second possible "public policy" attack on the enforceability of gold clauses stems from the present judicial hostility toward freedom of contract. Under the influence of curious social and economic notions, courts have begun striking down contracts in whole or part in which they perceive an unequal bargaining strength of the parties. Given the propensity of certain courts to re-write contracts to reflect their own ideas of social justice, it is not beyond the range of possibility that a gold clause calling for repayment of a significantly larger number of dollars than the original obligation will be declared invalid as between a corporate creditor and an individual debtor because the debtor lacked equal bargaining power. A summary and criticism of the current law on this point is Schwartz, "Seller Unequal Bargaining Power," 49 *Indiana Law Journal* 367 (1974).

In the event such agreements are upheld, the question will arise as to the tax consequences. The Treasury has been adamant on the position that a dollar is a dollar for tax purposes and that any nominal dollar gain in a transaction will be taxed without reference to any effects of inflation. If this rule is followed, it is likely that the nominal dollar increase will be taxed as a capital gain, either long or short term as the underlying transaction may dictate. Even this result, of course, will permit a significant degree of inflation protection and will likely result in creditors seeking higher prices to offset the tax penalty.

Another impediment to the widespread use of gold clauses is the legal rule that in order to be negotiable an instrument must be for a "sum certain." The potential revaluation inherent in the gold clause would apparently run afoul of this provision. Since negotiable instruments are widely used in commerce, the inability to employ a gold clause in such instruments may restrict the range of uses to which the clause is applicable.

There has been an upsurge of interest in this problem and we may hope that the legal status of these gold clause contracts may be clarified. A workable gold clause would undoubtedly lower nominal interest rates as lenders would no longer need to demand an inflation factor in their rates. Without these protective arrangements, lenders will be increasingly hesitant to enter long-term transactions.

Since the principal impediment to the introduction of these clauses seems to be uncertainty as to the willingness of the government courts to enforce freely-entered-into private agreements, we see once again the disruptive nature of the state. Private parties, if left free to order their own affairs by contract, should be able to adapt even to the disruption inherent in irresponsible government monetary policy. It is ironic, though by no means unheard of, that they should be restrained from doing so by uncertainty as to how much some court will determine their freedom of contract to be consistent with a court's "evolving" notion of good public policy. ◻

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Davis Keeler's Money column alternates monthly in REASON *with John J. Pierce's Science Fiction column.*

foreign correspondent

INDIAN POLITICS

Here are some facts about the major political parties on India's political scene.

On August 15, 1947, the Indian subcontinent finally obtained its independence from British domination. The Congress party was the major organization which rallied the forces for freedom. Those who worked under it were not attracted to it by any definite ideology – freedom from foreign rule was the primary goal. If Congress adopted any definite ideological viewpoint it was sneaked in by a few determined politicians like Jawaharlal Nehru. (During the 1920's Nehru, enchanted by the socialistic policies of Soviet Russia, pushed egalitarian goals for free India into the Congress platform. The rhetoric sounded innocent enough to Congress members.)

The spiritual and moral leader of Congress was Mohandas Gandhi. His philosophy was an odd mixture of libertarian and socialistic views. On one hand he concurred with Thomas Jefferson in pronouncing that the best government was one that governed least. On the other hand he hoped for a classless society which would grant a doctor and a street-sweeper equal remuneration.

On the eve of India's liberation Gandhi recommended to Congress members that they dismantle the organization, for it had served its purpose of achieving the country's freedom from British rule. Gandhi hoped that new political parties would emerge and run for elections on the merit of their own views. New parties *did* emerge but Congress turned into a vehicle for all power-seeking politicians who thought the country was obligated to serve their ends in return for their involvement in or association with the Congress movement.

Gandhi perhaps foresaw the moral corruption involved in turning Congress into a political party and its riding on the popularity of being the party that won India's independence, at a time when a great majority of people were without some degree of formal education. The masses were apt to owe their loyalty to mere symbols: the word "Congress," the party symbol of two bullocks, and the party flag (which practically dittoed the national flag) were later used to emotionally blackmail the populace into giving the reins of the nation to people who did not have any scruples about how they obtained their votes and to those who decided to join the bandwagon.

Thus a new India emerged fully under the control of Congress leaders and their henchmen.

Nehru was committed to achieving socialism through, what he termed, "the democratic process." Masses began to see him as being next to Gandhi in importance in the role played in the liberation movement. His charisma, his rhetoric and, above all, his political maneuvers, pushed him to the top of Congress hierarchy, earning him the title of "Chacha" (Uncle) Nehru.

An organization that played a relatively smaller role toward achieving India's freedom was the Rashtriya Swayamsevak Sangh (National Volunteers Organization). RSS was committed to achieving a state that derived its inspiration from Hindu tradition, and it aimed at inculcating pride in the Hindu heritage. It was, and still is, fiercely nationalistic. One of its major activities involves giving paramilitary training to its members.

When Gandhi's assassin was found to have been a one-time member of RSS, Nehru saw this as an opportunity to obliterate the much-despised RSS. Its members were arrested in droves and a ban was placed on the organization. However, when no evidence could be found of RSS involvement, the ban was lifted, but RSS was still prohibited from involvement with any political activity. This created a state of disillusionment and indignation out of which grew the Bharatiya Jan Sangh (Indian People's Organization) headed by Shyama Prasad Mukherjee, who was a member of the Constituent Assembly that drew up the Indian Constitution. Many RSS members cooperated in the formation of BJS.

BJS subscribes to an ideology of pragmatism and national self-interest. Its platform includes mild socialistic measures, but grants greater freedom to the private sector than does Congress. Consequently, its major power base is among the middle-class. Though it is frequently accused of being a Hindu right-wing party, its official stand with regards to Muslims and other minority groups reveals a more nondiscriminatory attitude than does Congress'. (Its members are often ired by the Congress' kid-glove treatment of Muslims, in particular.)

The Communist Party of India had its origin in the pre-independence days. The Communists hit the headlines in the late 1940's by their premature revolt in Telangana in central India, which was quickly suppressed. Perhaps this incident impressed upon the Communists the necessity of seeking their goals through the democratic process. Their tactics since have been a mixture of legal and extra-legal activities.

The split between the Soviet Union and the People's Republic of China led to a similar split within CPI, whose Chinese-leaning faction formed its own party under the name of the Communist Party of India (Marxist). The Marxists have since gained considerable power in the states of Kerala and West Bengal, which have seen Communists in control of the state governments at one time or another. The total Communist strength in the Parliament places them in the Number two position.

Two other parties of nationwide stature are the Praja Samyavad Party (People's Socialist Party) and the Samyukt Samyavad Party (Independent Socialist Party). Both are extremely socialistic in their ideologies, which are almost indistinguishable from each other and from those of the Communists. However, PSP lays greater emphasis on nationalism and democratic process than does SSP. SSP exercises considerable power over a large chunk of the labor force. The recent nationwide railway workers strike that nearly paralyzed the country's important transport network was engineered by SSP leader George Fernandez.

The only other party of a national stature is the Swatantra Party (Freedom Party). It was the last to emerge on the national political scene, in the early 1960's, mainly as a reaction against the growing power of the government over the economic bloodstream. By no means consistently libertarian, it is the only party that believes in a free enterprise system. Consequently, it is frequently attacked by its critics as the party of the rich. It was founded by Rajagopalachari, a friend of Gandhi and a very respected leader. He was appointed to manage the country during the transition from a British government to a popularly elected government.

Swatantra Party and Bharatiya Jan Sangh often find common grounds for cooperation on a number of issues, particularly in fighting the advances of communism and the subversion of property rights by the whole gamut of the socialist spectrum. In a nation swayed by emotional rhetoric the Swatantra Party is perhaps the only voice of rationality.

THE RESULT

The Congress, by its suicidal course of

bringing about socialism in a poverty ridden nation, has brought the country to near economic ruin. It started off with a mixed economy but like the tentacles of an octopus the economic malaise has continued to spread with every dose of socialistic medicine. The economic history of independent India reads like an *Atlas Shrugged*, only more gruesome.

The enterprising spirit of the Indian business community is smothered day in and day out into a state of impotence by tons of regulations, licenses, quotas, permits, taxes and exhortations to national service. For every major economic disaster the Congress leaders search for a lurking capitalist. Or else the blame falls on over-population, or the caste system, or greed, or smugglers, or what-have-you.

Tax evasion is very often the only way to survive economically. Black money, or undeclared earnings, is slow to find its way into industrial expansion. However, it does come in handy as a bribe to some bureaucrat who might be reviewing a business proposition that requires a license. Some of these applications have to wait as long as 10 years before they are even considered. Every important industrial enterprise has to have a seal of approval from the head honchos who draw up the five-year plans modeled after the Soviet plans and introduced by Nehru during his heydays.

Many private industries find themselves under a threat of prosecution for surpassing their quota of production. Meanwhile, in a nation suffering from an acute shortage of steel, the gigantic nationalized steel industry is being run at a loss of millions of dollars every year. (The prime goal of nationalized industries is, as spelled out by Prime Minister Indira Gandhi, daughter of Nehru, to provide employment for the masses.)

People are forbidden to own gold except in the form of ornaments. Every transaction in foreign currencies has to have the approval of the government. The Anti-Corruption Bureau conducts constant raids into homes in search of undeclared wealth.

These are just a few facts on a long list of wrongdoing on the part of a government under the Congress Party for 22 years.

Mrs. Gandhi is beginning to have second thoughts regarding the socialistic way of running a country. However, it is very doubtful if she has the intention or the ability to reverse the trend. As usual, the decisions will be made on the range of the moment.

Prakash Aswani

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viewpoint

Tibor R. Machan

AFFIRMING THE MORAL DEFENSE OF LIBERTY

The point of this essay is to push for a certain line of argument for the free society. Some time ago I emphasized the epistemological issues involved in discussing freedom, which stemmed from my concern with the widespread skepticism regarding values. If those who value liberty are unwilling to defend the possibility of knowledge of freedom's value for human beings, then the prospect of liberty can only be dim. One must be firm on the issue of an individual's capacity to know what is good for him. Since most intellectuals disputed that possibility, it was their case in support of their skepticism that had to be met, for how far can one get in defending a value if the very idea of establishing that something *is* of value is generally thought to be impossible?

The skeptical arguments against values are no longer so widely respected. That is a fact. (Here we are dealing with the sociology of philosophy.) People in many circles have realized that denying the possibility of knowing values leads to nihilism and mysticism. Given that this is widely enough realized — and one can draw on all sorts of recent (Watergate) examples to support the need for objective values — the next move is to argue for the value of political liberty.

It was Irving Kristol who so poignantly chided the libertarian tradition for being value-free. (See "Capitalism, Socialism and Nihilism," *Public Interest,* Spring 1973, pp. 3-16.) And not only the tradition (the past) but some of the contemporary libertarians (Chicagoites and Stirnerites) argue for a value-free case for political liberty. Kristol is not just tilting against a strawman. Too many defenders of the free society think that morality is bunk.

But morality is a fact of human life. True, as with all tools that may be used to improve human life, this tool — morality — can also be misapplied, misconceived, abused, and so forth. But the fact is that human beings, as individuals capable of initiating action, face the selection of alternative courses of conduct, some of which are correct, others incorrect. To make correct selections, human beings must identify a standard of judgment. And this is where morality enters their lives.

If the right standard is not identified, wrong ones will be employed. Altruism is the morality of those who want to live off others' effort. If the others do not make the effort to identify the morality suited to human life — meaning the lives of all individuals, not just the parasites' — then altruism wins out, by default. Since values are indispensable, however much some want to deny this, those that will be advertised will win over those that are timidly defended.

Some defenders of human freedom believe that they need just one principle from which to argue the case. They hold on to the nonaggression principle as if it were axiomatic in human affairs. But political liberty is not a self-evident principle. Politics is the social realm of human beings, the area of community affairs. Before community affairs can be understood clearly, private affairs must be understood well enough. Community life is not a primary. To answer the question, "How should I act vis-a-vis my fellow human beings?" one needs to know the answer to the question, "How should I act?" The standards of individual, private conduct must come before the standards of collective conduct, of conduct involving others. (The denial of this fact leads to collectivism!)

So the nonaggression principle is a *derived* principle, secondary to the individualist moral code, ethical egoism. But ethical egoism is not indifferent to social conduct. Once it is learned that one's happiness qua human being is the proper goal of an individual, it is necessary to learn how that happiness is best achieved within the social context. This is where the nonaggression principle comes to fore, not before that.

Advocacy of the free society can involve those who espouse divergent moral viewpoints, but it cannot rely on all these viewpoints for an adequate support. Thus, one must identify the correct moral standard before one undertakes to give the free society an adequate defense. If someone does not know the argument to support the nonaggression principle (human rights theory), one is well advised to simply refrain from further argumentation. There is no harm in this — the division of labor applies here, too.

The spectacle of nihilism occurs among defenders of the free society when they claim that prostitution, careless production, hucksterism, phony experimentation in psychology, blackmail, irresponsible personal conduct on various fronts, etc., are all quite OK by defenders of human liberty. When such nonsense is advanced, people rightfully dismiss the advocate of the free society. Most people *know* that deceit, indiscriminate sex, obscenity, bad scholarship, yellow journalism, shyster law, etc., are immoral, however badly they put their justification of their convictions. Any political theory that accepts these practices as "quite OK" *must* be defective. It is the Classical Liberals' inadequate moral theory that led to the success of collectivists who declared that since the moral righteousness of self-interest was undefended, the moral righteousness of the interest of the collective could be stuck in as a substitute.

It is time to realize that there is no value-free defense of human liberty. We ought to be free because only in freedom can our self-interest be achieved. And our self-interest is the highest value rationally defensible. ◻

Tibor Machan's Viewpoint appears in this column every third month, alternating with the views of Murray N. Rothbard and David Brudnoy. Dr. Machan's book on B. F. Skinner will appear late in 1974 from Arlington House.

• **AIRPORT 1975** is big and slick and glossy, but will it fly? The concept is intriguing: a light private airplane collides head-on with a 747, wiping out the crew and stranding in mid-air a planeload of terrified passengers. The cast boasts so many stars that it can (and does) use half of them as extras. Production values and technical credits are flawless. What could possibly upset such a winning combination? The script, that's what. Don Ingalls' screenplay serves up more cliches than a Republic western, and the roles allow for about as much character development as a Disney cartoon. Charlton Heston is the cynical pro, George Kennedy is the hard-bitten executive, Helen Reddy is a singing nun (?), and Gloria Swanson is Gloria Swanson. Linda Blair is a patient in desperate need of a kidney transplant (which probably accounts for some of her strange behavior in *The Exorcist).* Other stars afflicted with one-dimensional roles include Efrem Zimbalist Jr., Susan Clark, Roy Thinnes, Sid Caesar, Myrna Loy, Ed Nelson, Nancy Olson, and, worst of all, Larry Storch as a super-obnoxious newscaster. In the midst of this melange, two performers rise well above their material. Karen Black is superb as the chief stewardess, struggling valiantly to keep the plane aloft with nothing but radioed instructions and an unfamiliar instrument panel to aid her. Dana Andrews is effective as a harassed businessman and the hapless pilot of the other plane involved in the collision. The photography, especially the panoramic view of the mountains around Salt Lake City, is spectacular. It's a shame that the movie as a whole is unable to achieve the same status. Rated "PG."

— **Charles F. Barr**

• **JUGGERNAUT** is advertised as an epic sea adventure, but is filmed in the tradition of British closet drama. Omar Sharif stars as the captain of a luxury liner, carrying 1,200 passengers and seven bombs. Richard Harris is a demolitions expert sent from London to defuse the bombs, as Scotland Yard negotiates desperately with the unknown fiend who's threatening to blow up the ship unless a huge ransom is paid. The plot is carried forward at the expense of character development, enabling the audience to watch the movie's progression with icy detachment. The hysteria and excitement that could be generated by such a precarious situation is strangely muted; everyone (including the children) elects to carry on in the "stiff upper lip" tradition. The color photography, with its emphasis on greys and blues, has a chilling and depressing effect, contributing to the stilted emotional range of the film. The direction is crisp and the pacing is good. If only the people were more alive, *Juggernaut* would be a superior film. Rated "PG."

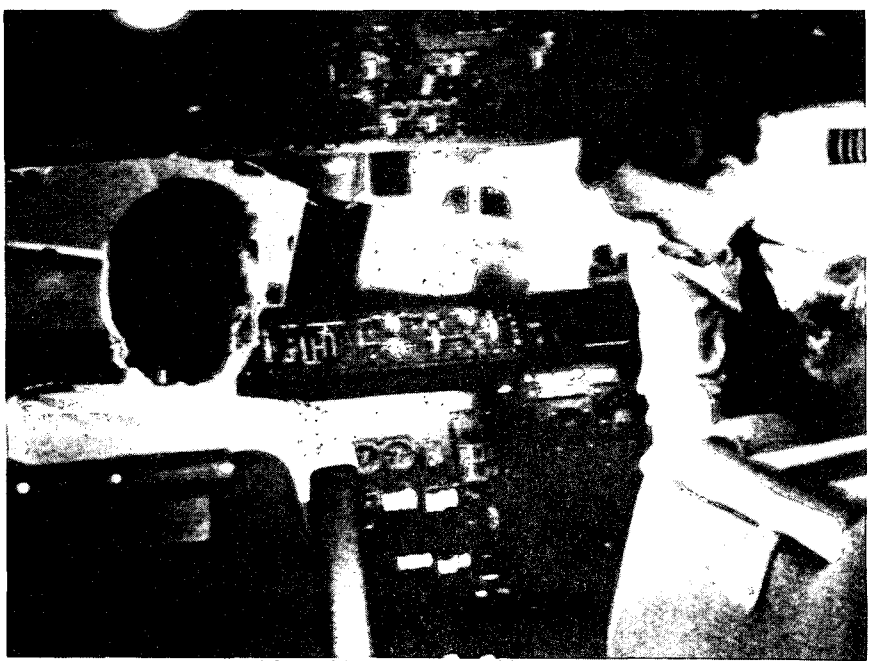
— **C.F.B.**

• Al Ruddy, late of the *Atlas Shrugged* film project, has come up with a rip-roaring action movie, **THE LONGEST YARD.** Burt Reynolds seems perfectly cast as an ex-football hero with a "don't give a damn" attitude, serving a stretch in the state pen for stealing and demolishing a girlfriend's car. Eddie Albert gives an equally impressive performance as the slightly deranged warden, obsessed with whipping his guards into shape as a winning semi-pro football team. When Albert orders Reynolds to create and coach a team of convicts for the guards to practice on, the fun begins. The cons, many of them lifers, know that this will be their only chance to beat up on the guards legally, and they prepare to make the most of their opportunity. The big game is a carnival of legal and illegal violence, a liason between Reynolds and the warden's receptionist, cheating, blackmail, bribery, promises, threats and double-crosses. What more could you ask for in a movie? Rated "R."

— **C. F. B.**

• **TURKISH DELIGHT,** a Dutch film directed by Paul Verhoeven, first appeared in Los Angeles last year during that city's Filmex film festival and is now having its American premiere release there. A 1973 Academy Award nominee for Best Foreign Film, it has been proclaimed as "a cross between *Love Story* and *Last Tango in Paris,*" a catchy but misleading description that is sure to disappoint admirers of both films who take it seriously. While the unabashed nudity of its lovers surpasses that of *Tango,* it is a far less intellectually ambitious undertaking and is totally without the mindless romanticism that inflated Erich Segal's work. The plot is conventional enough, the story of a young and handsome artist (Rutger Hauer), charming, selfish and often cruel, and his exuberant sexual fascination for a beautiful and childishly heedless girl (Monique van de Ven). The girl at first shares his passion and then turns away from him to another man and finally succumbs to the disease and death that haunts their world. What is startling is the film's coarse, earthy style, vulgar at times and more visceral than sensual, that gives it a peculiarly modern idiom and a surprisingly powerful impact. It is not, however, for the fastidious, since Verhoeven takes a perverse, somewhat sensational delight in the gross imagery of decay that pervades the film. But for those with stronger constitutions, it is a compelling film, superbly acted, the work of a talented director new to American audiences. Rated "X."

— **James F. Carey**



Efrem Zimbalist Jr. and Roy Thinnes are trapped in the cockpit of a 747 moments before a mid-air collision in **AIRPORT 1975.**

publisher's notes

• **ARTICLES WANTED:** The editors are interested in original articles on the following subjects:

(1) A detailed review of the relationship between the *milk industry* and government, both Federal and state, as a case study in "state capitalism" vs. competitive, free-market capitalism.

(2) A survey of current knowledge on the relationship between *longevity and nutrition.* Much new information has come to light in recent years, but what has been lacking is a practical guide for the lay person. The subject is particularly interesting in light of the Federal Government's institutional bias against increased longevity of its citizens (who are viewed, once past 65, as nonproductive consumers of public funds.

(3) One or more articles dealing with problems of military defense, from a libertarian standpoint. One important topic is the morality of nuclear deterrence policies, in light of libertarian principles. Another is the question of financing collective military defense without resort to coercive taxation. Yet another issue concerns the optimum size of nations (or other entities) from a military defense standpoint; e.g., is a "libertarian nation" the size of the United States even *feasible?*

Before submitting manuscripts, please write for an Author Information Sheet and describe what you plan to write. Send to Reason Author Information, Box 6151, Santa Barbara, CA 93111.

• **Hayek Awarded Nobel Prize:** Friedrich von Hayek, a leading figure in the Austrian School of Economics, Mont Pelerin Society member and author of the libertarian classic, *The Road To Serfdom,* was recently awarded the Nobel Prize in Economics. A key figure in free market economics for many decades, von Hayek is also renowned for his work in political science and sociology. Currently teaching at the University of Salzburg, von Hayek shared the award with Swedish socialist and economist Gunnar Myrdal, whose book *The American Dilemma* was an important factor in precipitating the civil rights movement in this country. Two other important books by von Hayek are *The Constitution of Liberty* and *Law, Liberty and Legislation* which will be reviewed in the February issue of REASON. The same issue will contain an exclusive REASON interview with Dr. von Hayek.

• **GOLD OUTLOOK:** Don't look for an immediate rise in the price of gold, once the ban on ownership by U.S. citizens is lifted. According to *Business Week* (August 3, 1974) Treasury Secretary William Simon has won agreement from European governments to have the IMF sell gold to attempt to keep the price stable during the initial phase of U.S. buying. In addition, Simon is expected to announce the end of the ban sometime *prior* to the December 31 deadline, attempting to time the announcement on a downswing of gold's price (if one occurs between now and the end of the year!) "in an effort to outwit the speculators."

• **ATTENTION DOCTORS:** The September issue of *Private Practice* contains an excellent 16-page pull-out supplement entitled "The Case Against National Health Insurance." In addition to extensive practical arguments, the supplement makes a well-reasoned *moral* case, quoting extensively from Dr. Robert Sade's article "Medical Care as a Right: A Refutation," which appeared in both the *New England Journal of Medicine* and in REASON (September 1972). The issue also includes a new article by Dr. Sade, "The *Real* Health Care Crisis." Copies are available from *Private Practice,* 3037 N.W. 63rd St., Oklahoma City, OK 73116. ◻

60/40

Unbidden thoughts of time, recurring
(ends, beginnings)
Forever being
(as they say) a long time
though other promised forevers
have blown away
leaving only yours.
and what kind of promise is that
? you rightly ask.
but yours has been longest
and anyway,
I make you more promises
than you make me.

Pam Schirado

A GIFT

See! I give myself to you, Beloved!
My words are little jars
For you to take and put upon a shelf.
Their shapes are quaint and beautiful,
And they have many pleasant colors
and lustres
To recommend them.
Also the scent from them fills the room
With sweetness of flowers and crushed
grasses.

When I shall have given you the last one
You will have the whole of me,
But I shall be dead

Amy Lowell

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reason profile

The newly elected national chairman of the Libertarian Party (550 Kearney St., San Francisco, CA 94108), Edward H. Crane III, is properly enthusiastic about the organization he heads: "The success of the Libertarian Party to date has been phenomenal. Those libertarians who criticize political action must be totally blind to the fact that we have exposed literally *hundreds of thousands* of people to the libertarian philosophy. How else could this have been achieved?

Crane has been involved in the Party since its inception, having been a delegate to the founding national convention, and was the vice chairman of the Libertarian Party of California from 1972 to 1974. In addition, he was campaign manager for Tonie Nathan's 1972 Vice Presidential campaign, which earned her an electoral college vote.

Ed Crane received his B.S. degree in Finance from the University of California at Berkeley in 1966 (taking time to be a precinct captain for Goldwater in three Berkeley precincts in 1964 – "which was a little like trying to sell State of Israel bonds to the Arabs") and then received his M.B.A. in Finance from the University of Southern California Graduate School of Business Administration.

He presently works as an investment counselor for Alliance Capital Management Corp. in San Francisco, and has written for such libertarian magazines as REASON and *Option*. A 30-year-old bachelor, Crane pursues a number of hobbies, including tennis, screwing, and basketball.

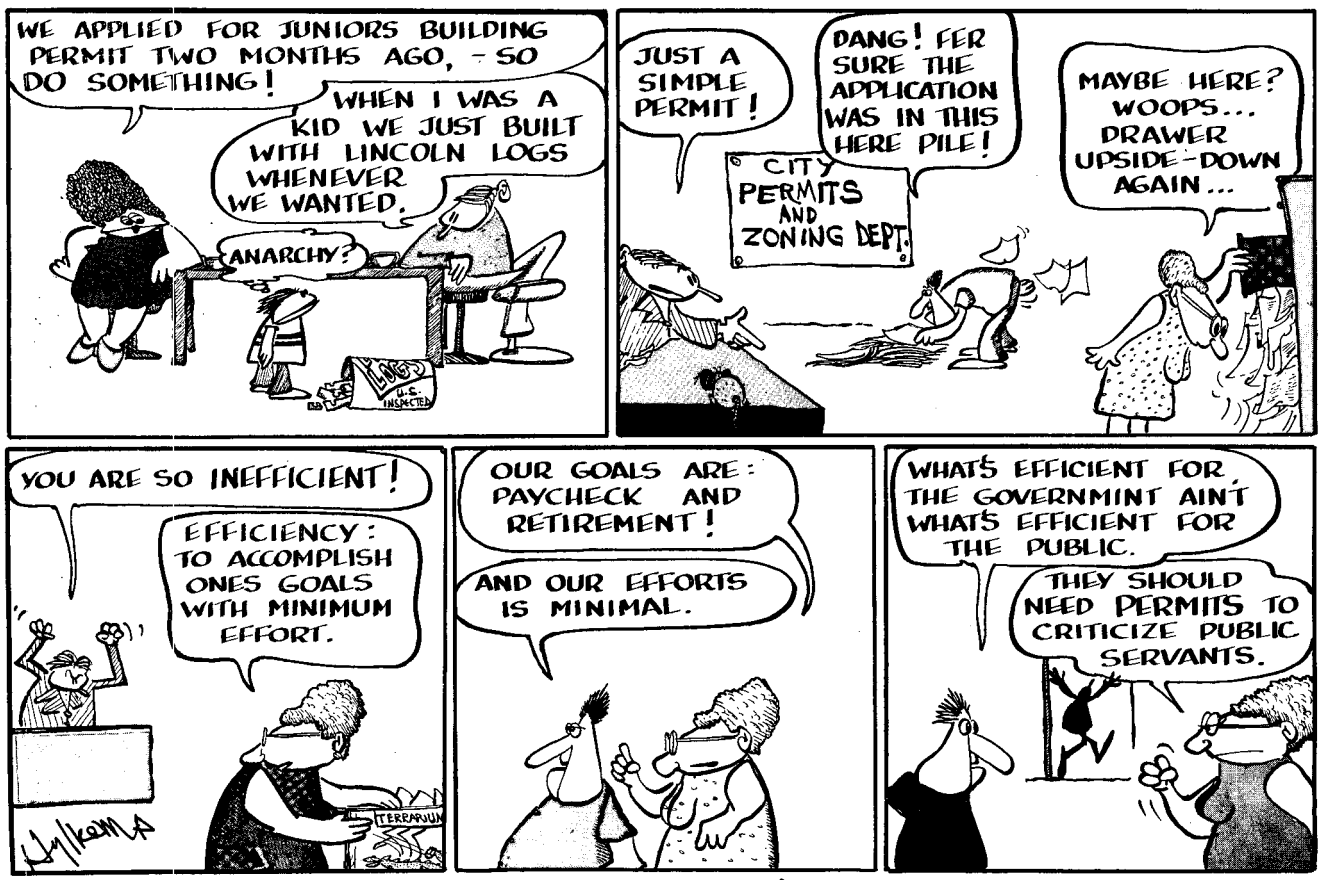
Among Crane's favorite writers are Ayn Rand, Rose Wilder Lane and the various Austrian economists. "The importance of the works of Murray Rothbard and Ludwig von Mises in the field of economics to the future of the libertarian movement cannot be underestimated. The great thrust of government involvement in our lives is 'justified' on economic grounds. The Austrian School has clearly demonstrated the detrimental effects of *any* government involvement in the economy and the increasing recognition given to this school of economic thought will be immensely important to the progress of libertarianism."

EDWARD H. CRANE III

Ed Crane sees a great future for the Libertarian Party but cautions that "the real threat to the L.P. lies in the temptation to make the big time through compromise of our principles to gain votes immediately. The fact is that the only hope we have for continued success is to stick to our principles and never compromise. If we do that there's nothing we can't accomplish." ◻

rudebarbs

RANDALL K HYLKEMA


WE APPLIED FOR JUNIORS BUILDING PERMIT TWO MONTHS AGO, - SO DO SOMETHING!
WHEN I WAS A KID WE JUST BUILT WITH LINCOLN LOGS WHENEVER WE WANTED.
ANARCHY?
U.C. INSPECTED
JUST A SIMPLE PERMIT!
DANG! FER SURE THE APPLICATION WAS IN THIS HERE PILE!
CITY PERMITS AND ZONING DEPT.
MAYBE HERE? WOOPS... DRAWER UPSIDE-DOWN AGAIN...
YOU ARE SO INEFFICIENT!
EFFICIENCY: TO ACCOMPLISH ONES GOALS WITH MINIMUM EFFORT.
TERRAPLUN
OUR GOALS ARE: PAYCHECK AND RETIREMENT!
AND OUR EFFORTS IS MINIMAL.
WHAT'S EFFICIENT FOR THE GOVERNMINT AIN'T WHAT'S EFFICIENT FOR THE PUBLIC.
THEY SHOULD NEED PERMITS TO CRITICIZE PUBLIC SERVANTS.

KANSAS LIBERTARIAN PARTY MEETS

An organizational meeting of the Kansas Libertarian Party was held on September 14, 1974, at the Ramada Inn in Topeka. Approximately 40 persons from throughout the state, as well as several observers from Missouri, attended the meeting.

The purpose of the meeting was to organize a chartered Libertarian Party in Kansas. A petition was signed for presentation to the National Libertarian Party, requesting formal recognition by the National Executive Committee of the Party.

The primary function of the organization at this time will be as an educational and informational source, and to assist in promoting recognition in Kansas of the National Libertarian Party as well as the libertarian movement.

Dale Wilson and **Joseph Bicking**, Topeka, were elected Co-Chairmen. **Jim Conklin**, Overland Park, was named Finance Committeeman. **Dolores Prellberg**, Overland Park; **James Ward**, Garnett; **Lin Zinser**, Wichita; and **Richard Dyer**, Kansas City, Kansas, were appointed as Regional Coordinators for public relations, informational and educational objectives of the Kansas organization.

The next meeting will be in Topeka, November 17, 1974. New members and interested observers will be welcome at that meeting.

For further information, please call **Dale Wilson** at 357-6296.

LIBERTARIAN ALTERNATIVE

Charles F. Barr, Jr., Chairman of Libertarian Alternative of Los Angeles, had his ballot argument opposing Propostion A (which will increase the sales tax in the Los Angeles County area) accepted by the County. The argument, reprinted below, has been printed in the voter information booklet that will be mailed to all 3,000,000+ voters in the Southern California Rapid Transit District – a rather cost-effect means of getting libertarian views out to a wide audience.

Proposition A is an attempt by the R.T.D. to extend its mass transit monopoly by socking it to the taxpayer once again.

The R.T.D. wants to add another cent to our already excessive sales tax, to increase the scope of its inefficient, bureaucratic, monopolistic transit system. At the same time, the R.T.D. is vigorously opposing any attempt to allow free competition in transportation services, even though private transportation systems would not cost the taxpayer one cent.

At the heart of the R.T.D.'s proposal is a rail line that will cost billions of dollars, yet will carry only 6 percent of the people in the district. How will this achieve "mass transit"? And why should the other 94 percent be forced to pay for it?

If we allow the R.T.D. to maintain and extend its monopoly, we will be helping to create a situation where a transit strike could cripple the metropolitan area. San Francisco's recent troubles can happen here – if we let it.

It's time to put a stop to the R.T.D.'s attitude that our tax money is theirs for the taking. This money rightfully belongs to the people who earn it, and they should have the right to spend it on whatever form of transportation they require.

Rather than being extended, the R.T.D.'s mass transit monopoly should be repealed; and competitive taxis, minibuses, jitneys and other vehicles should be allowed to operate in a free market to provide the transportation service we so desperately need.

Don't let the R.T.D. have another "free ride" at your expense. Vote "No" on Proposition A.

NOTES

The Libertarian Party of Santa Barbara County and **Santa Barbara Libertarian Alternative** meet jointly on the third Thursday of every month at the home of REASON editors **Lynn Kinsky** and **Robert Poole**, 294 Via El Encantador, Santa Barbara, CA 93111. The next meeting will be held November 21st at 7:30 PM and all interested persons are invited to attend. For further information contact the LP-Santa Barbara at 805-964-4131 . . . **The Midwestern Libertarian Conference** will be held December 7th in Chicago at the Hyatt Regency Hotel. The morning session will be devoted to the election of new officers of the **Illinois Libertarian Party** and a general business session; the afternoon session will consist of a conference featuring speakers **Roger McBride, Karl Bray** and **Dr. Jaggard**, among others. For further information contact **Steve Nelson** at 312-969-1088 . . . **The Society for Individual Liberty** is sponsoring several Fifth Anniversary Conferences on November 16th at various places around the country. The **East Coast Conference** will be held at Rutgers University and will feature speakers **Tibor Machan, Eric Mack, Louis Folino** and **A. Weintraub** – for further information call 215-672-4133. The **West Coast Conference** will be held at the University of Southern California and will feature speakers **Robert Cunningham, Milton Shapiro, Lynn Kinsky**, and **Manuel Klausner** – for further information call 213-432-3868 or 213-482-3822. The **Southern Conference** will be held at Nova University in Ft. Lauderdale and will feature **David Friedman, William Marina** and **Howard Maccabee**. For further information call 305-587-0187. And last, but not least – the **Southwestern Conference** will be held at the Roadway Inn in Houston, TX and will feature **Leonard Liggio, Ron Paul, Dick Bjornseth** and **Robert Bakhaus**. For information call 713-477-5989. ◻

A LADY

You are beautiful and faded,
Like an old opera tune
Played upon a harpsichord;
Or like the sun-flooded silks
Of an eighteenth century boudoir.
In your eyes
Smoulder the fallen roses of outlived minutes,

And the perfume of your soul
Is vague and suffusing,
With the pungence of sealed spice jars.
Your half-tones delight me,
And I grow mad with gazing
At your blent colors.

My vigor is a new-minted penny,
Which I cast at your feet.
Gather it up from the dust,
That its sparkle may amuse you.

Amy Lowell

letters

NIETZSCHE

Robert Greenwood's fine article "Ayn Rand and the Literary Critics" (November) is slightly marred by an understandable but still incorrect interpretation of Nietzsche. Greenwood says that "The *Ubermensch*, in Nietzsche's terms, is beyond morality, or more precisely, beyond good and evil." When taken out of context Nietzsche's overman does appear to be a nihilist or amoralist, somewhat on the order of the Stirnerite model. Once, however, we realize that Nietzsche fought Kantian duty-morality tooth and nail, and once we understand that it is beyond the good and evil of that morality that the overman must reach, characterizing Nietzsche himself as endorsing the idea of going beyond morality as such is misleading.

Nietzsche did not manage ever to formulate the tenets of a morality for human beings. But he did tell us that once the Kantian ideals have killed society, once nihilism has had its day (as he thought would be the case with our own times), new values will have to be identified, values that are pro-life. Nietzsche's emphasis of the human will in contrast to human reason must also be seen in the light of what Descartes, Hume and Kant did to the prominent idea of reason via their philosophies – dehumanize it into a formal calculus. All this noted, it becomes understandable that Rand herself was attracted to Nietzsche, as shown, incidentally, in some passages of the early edition of *We the Living* (later removed by Rand and explained without complete precision).

Tibor R. Machan
Fredonia, NY

SPECULATION

I have always considered it my job, as a rational human being, to carefully consider what is put forth as "truth," rejecting that which is anti-reason, and integrating that which is logical into the scope of my own knowledge.

Evidently, Patricia Levy-Gleason would disagree. In her review of *The Secret Life of Plants* [September], she does more than tear apart an obviously mystical, bizarre book. She throws a wet blanket over any conjecture at all in the realm of knowledge, condemning everything that cannot be proved at this stage of human development, regardless of plausibility.

There are questions, however, in all the books she mentioned, that need to be answered. Why do plants grow better with music than without? Why do plants grow better with classical music than with acid rock? Why do hundreds of seemingly upstanding, responsible people report UFO sightings every year? Where did the huge stone carvings on Easter Island originate? What is there about a human's mind that can convince him that he, or someone else, is possessed by devils? These questions are derived from demonstrable facts, and are certainly within the realm of scientific inquiry.

Mankind's knowledge does not move upward in a continuum, it is a series of conjectures being proven correct, and for any one conjecture proven correct, there were many, many more which fell by the wayside, having been proven incorrect. The point here is that conjecture is an essential element of scientific inquiry, and that a blanket condemnation of it because it does not fit in with current knowledge is no different than blanket condemnation of it because it does not fit in with the Bible. It is sad indeed to see a libertarian and a Dark-Ages religious leader walking hand-in-hand in this manner.

Gregory Davis
Anchorage, AK

PRECEDENT

As unsatisfactory as conditional amnesty is, one must admire the courage of President Ford for opening the question at a convention of Veterans of Foreign War. The Vets followed his announcement with a lengthy declaration in support of no amnesty. This was followed by the unseeing scolding of Ted Kennedy, who reprimanded the 33,000 Vets for being "narrow-minded" in rejecting Ford's proposal – in contradiction of his own previous militancy against a voluntary army. The body of the official statement of no-amnesty put out by the VFW convention contains a section on the history of American amnesty.

1) There have been thirty-four separate incidents of amnesty in American history.

2) George Washington, in 1795, pardoned the tax rebels of the Whiskey Rebellion who agreed to obey the law.

3) President Truman, Xmas 1952, gave amnesty to "peacetime" deserters who had left their units between V-J Day and the outbreak of Korean hostilities, June 25, 1950.

4) After WWII, 28 months after V-J Day, Truman pardoned 1,523 out of 15,803 draft law violators whose cases came under a government review mechanism.

5) After WWI in 1924, President Coolidge gave amnesty to 100 deserters, who had deserted after the Nov. 11, 1918 armistice.

6) In 1933, Roosevelt granted amnesty to 1,500 persons convicted of espionage act and draft law violations during WWI (15 years before), who had completed their sentences.

7) All of President Lincoln and Johnson's amnesties were conditional, and pardoned Confederates if they swore loyalty to the Union – a move to deplete the Dixie army. Also pardoned were Union deserters if they returned to their units to serve out a period of time equal to their original period of enlistment.

8) President Lincoln's government dealt with draft resisters in New York City where many rioted in March of 1863. Mr. Lincoln's Federals put down the riots with between 500 and 1000 dead.

9) It was not until 1898 that the Universal Amnesty Act removed all disabilities against all former Confederates.

From these facts, the VFW's conclude that there has never, following any American war, been a general amnesty for draft dodgers – only for peacetime deserters.

A libertarian can observe two things from these facts. There has been a long and populated tradition of resistance to conscription and personal involvement in war among Americans. And, considering the undermining of the US Constitution by a series of Presidents who engaged our citizens in military combat without Congress declaring war, the US was at peace during the Viet Nam years, so there is precedent for amnesty in this case.

Paul Beaird
Chairman, Alaska LP
Kodiak, AK

AMNESTY

Laws are, or should be, enunciations of principles of justice and should be applied equally to all persons. I support unconditional amnesty for all draftees and draft evaders. I also object to the Nixon pardon. However, most persons discussing these issues today are not demonstrating concern for principles of law and justice, but the *evasion* of these principles. Perhaps, as a

former national candidate for the Libertarian Party, "The Party of Principle," I can contribute some clarity to the subject.

First, the Selective Service Act is still a law on the books, and draft evaders and deserters have broken the law. In order to maintain respect for law, we must first repudiate and repeal the Selective Service Act so that we can then properly declare unconditional amnesty for all those penalized by that unjust and immoral law. But, to forgive those who broke the law while that law is still in effect, repudiates the principle of law itself and makes a mockery of the entire legal process.

(The principle involved does not concern the morality of the war [any war], but the morality of the draft. The principle is stated in the 13th Amendment to the Constitution which prohibits involuntary servitude.)

On the second issue, most thoughtful persons will agree that it is not a pardon which former President Nixon received, but immunity from the law. If obstruction of justice was Nixon's crime, it is Ford's crime also. The pardon should not have been given before judgment was legally rendered. The pardon, under those circumstances, was also a repudiation of the legal process, taking, as it does, judgment out of the hands of legally constituted authority.

Compassion is not at issue at this time in the Nixon case. Compassion is an emotion properly reserved for those who suffer unjustly or accidentally (such as draftees). We are not sure if this applies to the Nixon case since the law was preventing from establishing to what extent Nixon was a victim or a participant in the alleged crimes. But, in either case, judgment should have been made after the case was presented.

It is, I think, extremely important that the public recognize that if this nation is to be governed by laws, not men, then injustices must be rectified by changing or repealing unjust laws and granting pardon and amnesty where deserved *after* proper legal and judicial procedure.

Tonie Nathan
Eugene, OR

ABACO

Your article on Abaco in the October issue was most interesting and well researched. I had similar interest in the developments there and spent some time in Abaco this summer trying to get some feel for the attitudes and plans of the people, especially those involved with AIM. Purely from a selfish standpoint, of course; I wanted to see if there were any possibilities of outsiders, such as myself, fitting into the society should the movement toward independence take more serious steps.

It seemed apparent to me that the common motivation of the AIM people was a strong desire to "throw those rascals out" and "run things ourselves," as opposed to any sort of leaning toward a libertarian philosophy of government. This is not to say that their grievances aren't quite real; I'm sure they are. If I may generalize from a limited sample, I rather think that people tend to start revolutions from gut issues impinging on individuals in a personal way, and not because of philosophical differences. Perhaps that's why so many revolutions merely end up with a fresh set of despots. It is to be hoped that a leavening of libertarian beliefs can be inserted into the foundations of this particular movement, I did my best to help this along.

However, there is one observation that seems pertinent to the eventual success of the new nation. I submit that the present population of Abaco will not and should not permit any large influx of immigrants into their new country. It would not be in their best interests to do so, since the education, skills, capital, and competitiveness of the newcomers would tend to sink

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the present population. Friction and conflict would be inevitable, in my opinion. A possible solution to this problem would be the granting of sovereign rule of one of the smaller islands to Mike Oliver's group for the formation of yet another nation, this one deriving its population and impetus from a philosophical base — Libertarianism, if you will. By allowing our new little country (shall we call it Merva II?) to exist nearby, Abaco can take some advantage of the inevitable influx of capital and development in terms of goods and jobs, while retaining the ability to control immigration to their own country and thereby limit the competitive impact of the newcomers. There is some logic to this procedure, since the present inhabitants of Abaco can thus offer a specific reward to those who are preparing to give them aid in their struggle, without losing control of their country and going the way of the Hopi and the Mohican. From the other side of the fence, the actual amount of land involved in forming Merva II isn't nearly as important as its complete sovereignty; after all, we couldn't all fit on the whole archipelago, let alone Abaco. I think we are all looking for a philosophical (or passportal?) home, even if we can't take up physical residence. If some such arrangement could be made with AIM, I would certainly feel much less pessimistic about the ultimate results of Abaco's coming turmoil.

By the way, an interesting item concerns the Crown lands and effect of this on the government. Each person I talked to expressed deep concern with the use of this land and seemed convinced that it was vital that their new government have complete control over it permanently. If any plank in the constitution prohibited the ownership of property by government, as does Mike's excellent document, you had better believe that the prohibition will be ignored! Personally, I think you're going to have to keep government pretty well starved down to the bone and keep a close rein on its powers if it's to remain a free country. All that "free" land is just going to grow as a source of controversy and excuse for growing government, but that is not an easy point to put across on Abaco right now.

Again, my congratulations on an excellent job and an enjoyable magazine.

Lannon F. Stafford
Phoenix, AZ

LOSE SOME, WIN SOME

Since I wrote to criticize your emotional editorial on ERA in the August issue, I now take occasion to compliment you on your editorial on the Japanese internment outrage.

I do this for three reasons. First, it was very well written; second, it was correct in fact and inference; and third, the emotion (anger) was based on irrefutable evidence, none of which was overstated or wrenched from a context that would give it any meaning different from that given it in your piece. In short, it was good.

In addition, your readers may be interested to know that the Supreme Court case that upheld the outrage, *Hirabayashi* v. *United States,* 320 U. S. 81 (1943) is still being cited as good law to support less blatant but perhaps more insidious outrages in the delegation of arbitrary powers to bureaucratic agencies.

Philip M. Carden
Nashville, TN

IMAGES

Still fascinated with the idea of presenting images to the public eye, Bruce Ramsey, in his latest letter [October], now does us the service of dismissing Ayn Rand and Murray Rothbard as wild-eyed conservative crackpots who prevent the libertarian movement from presenting the kind of image necessary to attract "the right kind of people."

The idea of the libertarian movement having a singular "image" is repugnant. Libertarians must only have in common the uncompromising belief in and commitment to the concept of individual sovereignty. If that principle is understood, then there is plenty of room for and need of the admirers of Rand, Rothbard, Von Mises, Read, LeFevre, etc. We're all working to get the government off our backs and out of our lives, aren't we?

Ramsey states, "Now that Rand has been effectively disowned . . . " Just who was it that disowned her? I and other libertarians I know have nothing but the utmost admiration and respect for both Ms. Rand's novels and the vast majority of her ideas. Has Mr. Ramsey been appointed (or appointed himself) the Libertarian Pope capable of excommunicating the impure? Along with a fascinating one sentence synopsis of the energy crisis, Ramsey criticizes Murray Rothbard for "praising Chevy Impalas and the beer drinking addicts of TV football" (not avant-garde enough for Mr. Ramsey's taste). I must confess that I violated this self-proclaimed libertarian image by spending three hours last Sunday drinking beer with friends while watching a pro football game on TV.

Am I to be dropped from the squad, Bruce?

David Finkel
Springfield, MO

MORE IMAGES

I'm writing you in regard to a letter you published in the October issue by a Bruce Ramsey concerning the image of "libertarian-conservatives."

The bulk of his letter consists mainly of normative statements that don't really deserve an answer; i.e., "we should present ourselves as an intelligent and imaginative avant-garde. Some of the time (Brandon, Efron, Szasz, etc.) we project that image, but too often we come off as conservatives or wild-eyed crackpots." I have to question his knowledge of libertarianism if he cites the following as an example of LIBERTARIAN crackpot: " a group that intends to colonize the asteroids by 1990, and are presently raising the money by selling used cars!" — i.e., the Society of Free Space Colonizers. How that ties in with libertarianism is unknown, but he seems to think it does.

Specifically, though, I would like to comment on his statements about how Murray Rothbard is now carrying the "banner of cultural conservatism" formerly carried by Ayn Rand. According to Mr. Ramsey, "he has come out praising Chevy Impalas and the beer-drinking addicts of TV football in a column [Viewpoint, July] about transportation that scarcely concerns itself with transportation at all. He ignores the well known fact that automobiles are guzzling an irreplaceable resource at a rate that cannot be maintained much longer, preferring instead to take potshots at the Left. He dismisses bicycles with a contemptuous sniff, ignoring the fact that they are cheap, healthful and non-polluting. He has so little imagination that he thinks that all subways will be as smelly and decrepit as the ones where he lives."

In the first place, the article by Rothbard was entitled, "Hatred of the Automobile." It was an explanation of the psychological reasons for attacks against the automobile. It was not about the transportation issue as such. He did not ignore the well known fact that autos are gas guzzlers. In fact, Mr. Rothbard uses the term "gas guzzling monsters" in the text of his article. Who could possibly ignore the fact that cars use lots and lots of gas in this day and age?

Secondly, the potshots arrived when Mr. Rothbard "dismissed bicycles with a contemptuous sniff, ignoring the fact that they are cheap, healthful and non-polluting." Well, this is true, he did dismiss bicycles. And it was with a contemptuous sniff. This is how Mr. Rothbard put it: "we can dismiss the bicycle as a patently bizarre attack on living standards and on the aged and infirm." Now I ask: who is taking pot shots at whom?

As far as Murray Rothbard "not having any imagination because he thinks all subways will be smelly and decrepit" misrep-

resents the context. "Consider the contrast between the auto and mass transportation. The auto is comfortable, individualistic, mobile; the driver is in command of his ship – he can start from anywhere he wishes and end up the same way. The automobile is the supreme form of individualistic transportation, catering to the comforts and wants of the individual owner. But consider mass transit: it is tiring, uncomfortable, collectivistic. Everyone confronts everyone else, everyone is forced to rub elbows with a 'cross-section of democracy' as they are herded from a point set by the transit system to a goal set by it as well." He doesn't say that they are "smelly and decrepit," he simply points out the advantages of the auto.

Mr. Ramseys' fears of acquiring the wrong image obviously far outweigh his concern for accuracy, and fairness. If you don't like his conclusions, then refute them. Potshots we can read in the news anytime.

Greg Baron
Chicago, IL

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Reason's Letter of the Month

The letter below, by subscriber Doug Kennell, appeared in the October 1 issue of the *Anaheim (CA) Bulletin:*

AMNESTY?

I was pleasantly surprised by President Ford's announcement in favor of leniency for draft resisters and military deserters. As a person who has not cooperated with the system of draft slavery for the past five years, I can only look favorably upon the possibility that I will soon be free of the threat of legal prosecution.

But I think that the president starts out on the wrong tack when he talks about "earned re-entry" into American society by resisters. I do not know what it is that I must earn. I do not want to be forgiven for acting upon my understanding of morality, nor do I believe that I deserve punishment for doing so.

Of course, I did break the law, and continue to do so. In criminal matters, which involve the loss of life, or property, restitution of victims by the criminal may be considered necessary for the criminal to earn his re-entry into society. If President Ford is looking for criminals, and there have been many during the period I have been an outlaw, I suggest that he look to those who started the war and maintained the war. Among these are all of Gerald Ford's predecessors in office. If President Ford is looking for victims of criminal acts, he might look to the villages, the rice paddies, and the graveyards, formal or ad hoc, of Vietnam, Cambodia and Laos. I took great care to avoid that part of the world during the period of most concentrated criminal activity by the U. S. government. What victims must I restitute?

Even less than forgiveness do I want leniency. Leniency? Leniency for refusing to participate in a moral outrage? For absenting myself from the scene of mass murder, I cannot even be considered an accessory.

The war in Vietnam seriously damaged America's image as a moral leader of the world. Perhaps America generated during this war a group of war resisters whose moral integrity can re-earn America's place in the world. President Ford must realize that he will be judged by the way he treats those whose understanding of right and wrong exceeded his own.

President Ford can earn respect and gratitude by his ending of the legal persecution of draft resisters and military deserters. But this will be respect directed to him as a person, and he will earn it only to the degree that he can transcend the proven moral limitations of the presidency. Nothing he can do will ever earn the presidency of the United States a place in the societies of civilized people.

Doug Kennell
Riverside, CA

NOT AMORAL

Paul Sagal's analysis of Harry Browne's ethical attitudes (September) misses a lot because Sagal accepts Browne's own description of his philosophy as amoral. As almost anyone will admit, sticking a tag on something doesn't make it what the tag says. Sagal is just as mistaken as Browne when he calls Browne's ideas amoral.

Browne believes that the only purpose of a code of values is to make the user happy by guiding him to courses of action which will arouse this emotion. He warns against falling into the morality trap. The morality trap consists of doing things which are not in an individual's self-interest, because they are "right." Browne rejects this type of moral attitude in favor of doing whatever produces happiness.

(continued on page 48)

Letters from readers are welcome. Each receives editorial consideration, although only a selection can be published and none individually acknowledged. They should be kept as brief as possible and are subject to condensation. Letters submitted for publication in this column should be typed, double-spaced. Send letters to REASON, P.O. Box 6151, Santa Barbara, CA 93111.

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This is all very fine, but it cannot be called amoral. As Rand has pointed out the only valid morality is one that is life sustaining rather than life negating. She argues that to accept life negating principles as a good is absurd. She then declares that that which is moral is that which enables man to survive qua man. That is, that which enables him to live successfully or happily *according to his nature.* This last part is the important part.

As Rand has also shown, because man has a particular nature, there are certain rules he must follow to be happy. It is impossible to be happy in opposition to one's nature. She then constructs a code of morality based on man's nature and the nature of reality. If followed, this code should lead the individual to happiness.

Browne, by whatever label he and Sagal choose to apply to his ideas, approaches the same result from the other side. He says, do what makes you happy – yet what makes you happy has to coincide with the nature of man and reality. The individual who practices this policy fully will end up doing the same things as the followers of Rand's Objectivist morality.

The net effect will be to produce a code of morality as surely as if this had been his intention. Any code which instructs you to do what makes you happy cannot be amoral. To advance such an idea is to once again tear man between the age old dichotomy of self-interest and the good.

Steven D. Kimball
Port Angeles, WA

MORE ON THE ERA

Though I consider myself a feminist, I have had some reservations about the ERA in that I don't want women to be duped into thinking that rights can be legislated. To achieve and maintain equal status with men requires diligent effort on the part of all women who wish to assert their merits as individuals.

Yet the importance of eliminating government interference with our ability to own and control our lives and property must be my overriding concern; the ERA does empower legislatures to *remove* such obstacles and appears to be a more productive approach to the problem than confronting sexist laws case by case.

My support of the ERA has been criticized on the basis that I am an anarchist, and the ERA is a piece of legislation. But I consider it entirely consistent with anarchism to support acts by government to inhibit itself. I certainly support the repeal of laws, and the repeal of laws does entail legislation.

One popular argument against the ERA is that it may be misinterpreted by the courts. Without feigning precognition (who knows what the courts may do?) the issue at hand is whether or not to endorse a measure enabling the government to restrict its own ability to aggress against a collectively identifiable group of individuals. The ERA is libertarian in principle, and the possibility of someone misinterpreting our principles should not prevent us from voicing and practicing them. Further, the misinterpretation argument has never been used, to my knowledge, against such constitutional amendments as the right to bear arms. Proponents of such an argument might logically conclude that since the courts are upholding the obvious abuses of the Second Amendment that it should be repealed.

Another nonsensical argument is that the ERA, rather than having the effect of eliminating protective labor laws for women, may instead precipitate similar legislation for men. It hardly seems likely that men, in their superior political and economic position, would tolerate such a move.

Some libertarians seem to have difficulty with the ERA because they have a negative gut reaction to anything popular among "the Left," but such collective assessments based on emotionality rather than reason do nothing to advance libertarianism. The vacuous rationalizations I have heard from some libertarians for nonsupport of the ERA lead me to conclude that these individuals should consider some introspection.

Elizabeth Keathley
Free Venice, CA

Ms. Keathley is the California Peace and Freedom Party candidate for governor. – Ed.

HELP WANTED

I teach English at Virginia Commonwealth University, and next semester I'm teaching a course called "The Businessman in Literature." I would appreciate any suggestions your readers may have for poems, stories, novels, plays, screenplays, and essays to be included on a reading list or supplementary bibliography, though I'm mainly looking for imaginative literature rather than non-fiction treatises. The subject need not be strictly "the businessman," but may range to related topics; and the literature may be in any language and from any era.

Please send to: Cheri Parker, Dept. of English, Virginia Commonwealth University, Academic Center, Richmond, VA 23280

CHERI PARKER
RICHMOND VA

THE CRUELTY (incomplete)

Her skin, delirious with wind,
(the wind like cats about her) is not
as soft as water, fresh as melon,
moist as flame. It is, quite simply, old
and cracked and grey.
With scarves as green as morning (flowing
from her throat like conversation),
every fold of her skirt is billowed
with shadow and the night. Until – from
a distance – she has grace. Like pictures
of women from innocent days
when they were demure and unknowing.

Wendy McElroy

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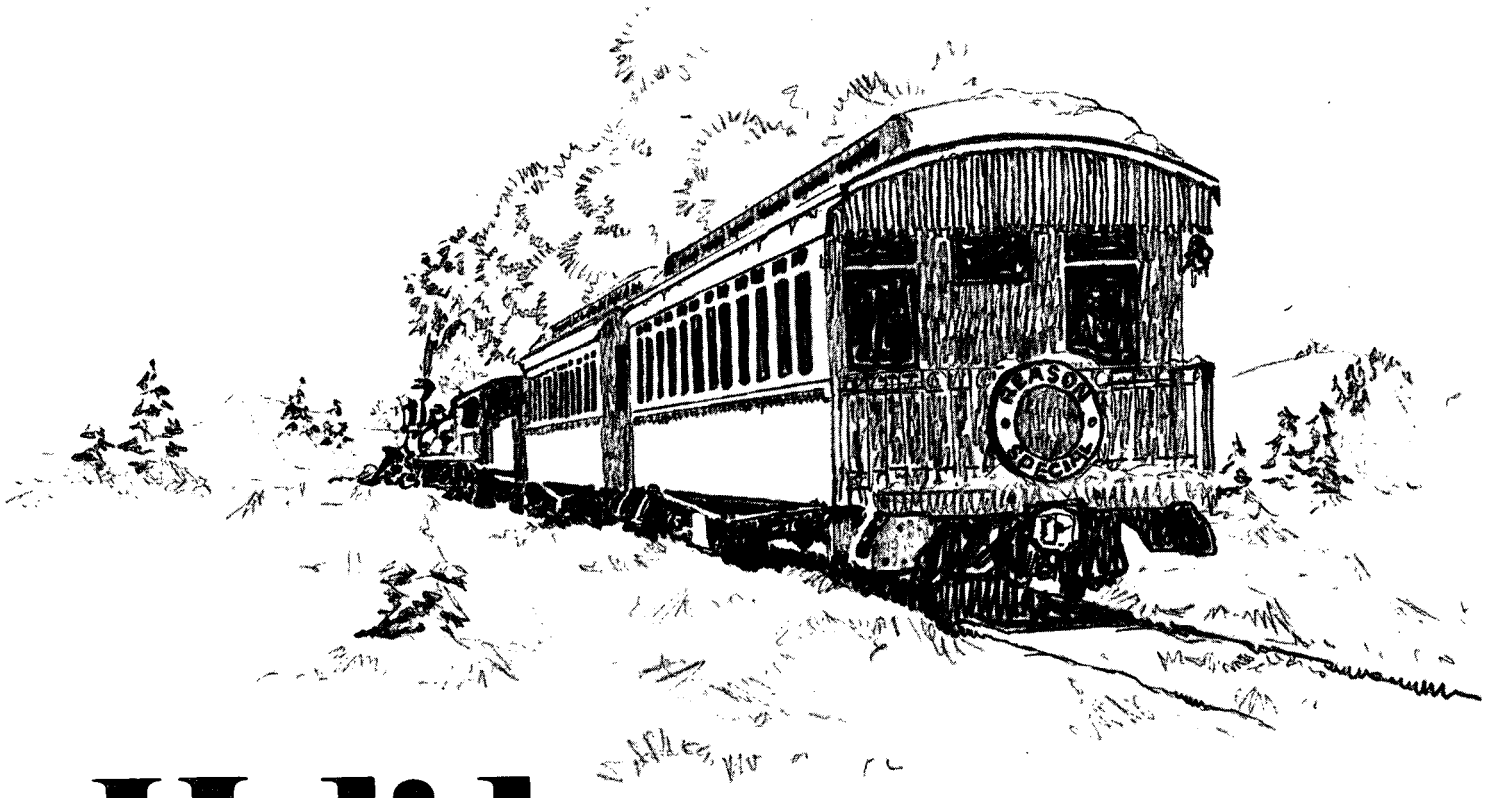

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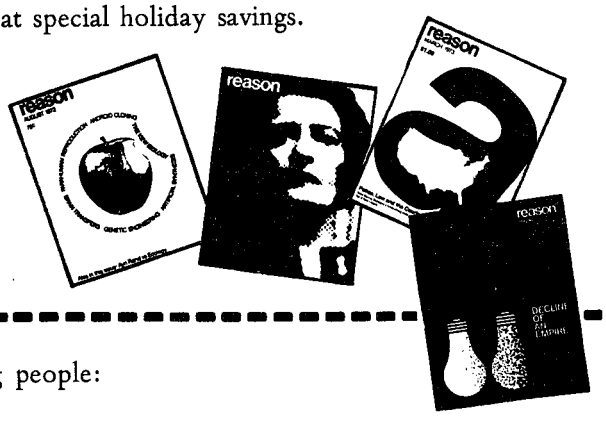

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LARRY D. GIDDENS: Dan Karlan (Boston, summer of 1971) wants to learn if you are interested in resuming communication, or why not. REASON, Box DMK.

SEEKING TO EXPAND OUR HOUSEHOLD. Ability in gardening, farming, household responsibilities desirable. Persons who seek personal growth and security in a new, nearly self-sustaining environment, please write. *Monte R. Mordaunt,* P.O. Box 118, Potlatch, ID 83855.

OBJECTIVIST ORIENTED PROFESSIONAL MAN, 37, with some physical disability caused by multiple sclerosis, seeks female roommate and companion with similar philosophy. Wish to reside on San Francisco peninsula and evolve a mutually satisfactory relationship. Reply REASON, Box WW.

KANKAKEE COUNTY, ILLINOIS area libertarians, Objectivists, anarchists, and other freedom lovers interested in starting local Libertarian Party chapter: contact *Jeff Dehn,* 320 Stadium Drive, No. 6, Bourbonnais, IL 60914. (815) 932-2471.

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The classified ad deadline for the February issue is December 1.

Did You Know . . .

That forced association is the necessary precondition to the development of mental illness?

That altruism is best understood not as an ethical doctrine but as a psychological disorder? That its acceptance is never due to logical persuasion, but rather to a desire to avoid conflict with one's forced associates?

That public education necessarily impairs the cognitive abilities of all those who are subjected to it? That most unfulfilled intellectual goals are due to procrastination, fear of revealing mistakes, and the impulse to intellectual haste? That these attributes are in turn due to years of forced confinement in the institutions of public education?

That cognitive impairments can be overcome, if you know how to go about it?

That argumentation, though widely condemned, is the basis of the development of one's ability to reason?

That the Soviets tried to produce chess masters by teaching chess in the schools, and discovered that mastery could not be taught? That this truth is valid in all fields of intellectual endeavor, not merely in chess?

That the forces which have debased the dollar and brought about rampant domestic inflation do not lead merely to economic collapse, but to nuclear war?

That the Soviet Union has recently massed sixty divisions on the Chinese border? That the number of Russian tanks in Central Europe has been increased from 14,000 to 20,000—giving the Warsaw Pact forces a better than 3-to-1 advantage over NATO? That such massing of forces is grossly disproportionate to what the Soviets would require if they were intended, as they say, for defensive purposes?

That the Soviet SS-9 missile delivers a payload which is many times larger than would be needed to destroy even the world's largest city—that its only conceivable purpose is to destroy hardened U.S. missile silos? That there is no need to destroy our silos if they are empty—and that if they are *not* empty, the Soviets are attacking first?

That the Soviet "siege mentality" which our liberals urge us to cure by unilaterally disarming is in fact not due to external pressure exerted on the Soviet Union, but rather to the GULAG system—the secret police, the torture chambers, the death camps, and the non-objective law—which ensures that only paranoiac madmen can ever reach the top of the Soviet administrative hierarchy?

That it is impossible to control a foreign nation without the capability to send troops across its borders, and that this means the Birch Society's idea of a single, global conspiracy cannot be correct? That the idea that the CFR controls the Soviet Union via an unseen watchdog agency leads to a well-known type of logical fallacy? That each such unseen watchdog requires yet another watchdog to watch it, and so on, ad infinitum?

That "democracy or dictatorship" is a false dichotomy? That there exist numerous electoral systems which are superior to "one man-one vote"? That a system whereby you vote with your tax receipt would automatically prevent the currently popular practice of heaping taxes on the productive minority—since under such a system "heaping taxes" means "heaping votes"?

That DDT, much maligned and banned by the EPA, is probably history's greatest saver of human life?

That human waste amounting to millions of tons per year is winding up in the oceans rather than being recycled back to the farm and grazing lands from which it originated? That this vast process is ruining the land and, as a consequence, is steadily eroding the nutritional quality of the food you eat? That the root cause of this problem is the fact that rivers and oceans are "public domain"—i.e., are not privately owned?

That the Sahara, the world's largest desert, is man made? That nomadic overgrazing denudes the land of vegetation, that sunlight on the resulting bare earth generates a perpetual thermal which spreads at higher altitudes and keeps raincloud pushed away? That the entire Sahara, in time, could be turned into productive farm and ranch land simply by turning it over to private ownership?

That the chlorine which municipal governments add to the water you drink reacts with saturated fats in the blood, forming a sticky agglutinant which adheres to the walls of your arteries? That it is the cause of the atherosclerotic diseases which kill in excess of one million Americans each year?

That statistical attempts to demonstrate that punishment does not deter crime all rest upon a single fundamental logical fallacy—a fallacy which you can master and use against the advocates of so-called "rehabilitation"?

That the FDA kills more people than it saves? That by delaying marketing of the immense majority of drugs which are both safe and effective, the FDA causes needless human suffering and loss of life? That such costs vastly outweigh the benefits which accrue when an occasional unsafe or ineffective drug is discovered?

That welfare programs do not merely violate property rights, but that they kill more people than they save?

That restrictions on immigration do not raise wages, but lower them, since those immigrants who become employers add more to the demand for labor than the others add to the supply of it?

That mercury pollution is largely a myth and that oceanic mercury levels were higher a thousand years ago than they are today?

These and many other ideas have been discussed in past issues of *The New Individualist*, or will be discussed in future issues. Every one of them, we will freely admit, is debatable. You may not agree with us on every point. But we think you will be surprised at the extent to which these unfamiliar and often shocking positions *can* be defended. And you will also be surprised at the implications which many of them have for your own life and happiness. If you are interested and want to hear more so you can decide for yourself and, perhaps, take appropriate steps should you decide we are right, then we hope that you will subscribe today. For a limited time we are offering a six-month trial subscription (six issues) at the special low rate of only $3.00. We hope that you will join us!

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